

Minerals Industry 2001

SURVEY REPORT



SURVEY CONDUCTED BY

PRICEWATERHOUSECOOPERS 

data funds balance expenditure ratios
labour costs outlook profit assets



**MINERALS
COUNCIL**
OF AUSTRALIA

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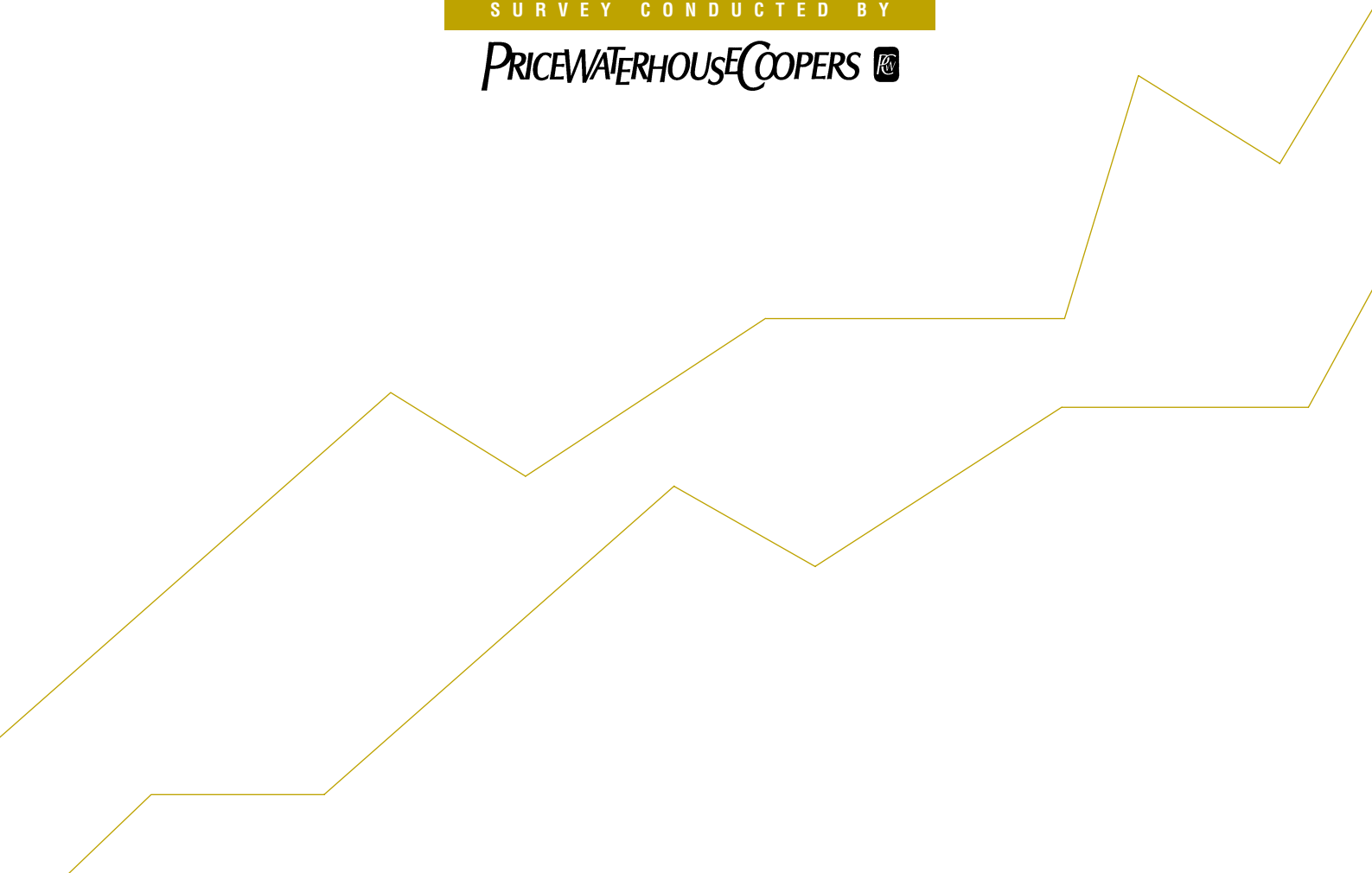
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Contents

Background	1
Overview for 2000/01	2
Safety and Health Performance	9
Price Movements	12
Production	14
Aggregate Statement of Financial Position	17
Aggregate Statement of Financial Performance	18
Profitability	20
Statement of Cash Flows	22
Borrowings	23
Distribution of Assets by Activity	24
Government and Taxation	25
Rehabilitation Expenditure	27
Native Title and Aboriginal Development Expenditure	29
Employment and Labour Costs	30
Overseas Exploration Expenditure	32
Outlook for 2001/02	36
Appendix 1: Coverage and Definitions	37
Appendix 2: Constant Group Financial Data	39
Appendix 3: 10 Year Historical Summary	40



Background

The aim of this annual survey is to provide timely and accurate financial data on the Australian minerals industry and to facilitate more informed debate on the industry's role and importance in the economy. The report also includes information on the safety and health performance of the industry, environmental rehabilitation, native title and Aboriginal development and overseas exploration expenditure by the respondents.

This 'silver anniversary' edition survey (the twenty-fifth time the survey has been conducted since the year ended 30 June 1977) relates to the year ended 30 June 2001, although a number of respondents reported data relating to earlier balance dates.

The Minerals Council of Australia is very grateful for the support of all respondents without whose assistance this report could not have been completed.

An electronic version of this report can be downloaded from the Council's website at www.minerals.org.au.

Survey sample and execution

The survey sample and design was developed by the Council in association with the Australian Aluminium Council, the New South Wales Minerals Council and the Queensland Mining Council.

PricewaterhouseCoopers prepared the tables in this survey, based on information supplied to them in confidence by the respondents. This information was occasionally supplemented by publicly available reports.

While PricewaterhouseCoopers has reviewed the responses for consistency, it has not audited them and cannot be held responsible for errors in the data supplied. The Council prepared the text commenting on the tables.

Definition of the minerals industry

The minerals industry is defined as including exploration for, and extraction and primary processing of, minerals in Australia. Primary processing is taken to include the processing of minerals up to the first pouring of the refined metal but fabrication beyond that stage is excluded. The oil and gas and iron and steel industries are also excluded from the survey.

The definition of the minerals industry used in this survey differs from that employed by the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural and Resource Economics (ABARE). While the definitions in all three sources are

consistent in terms of the definition of individual commodity sectors, they differ in terms of the range of sectors included.

The ABS distinguishes 'metal product industries' from 'mining' which includes the oil and gas industry. The ABARE category 'mineral resources sector' is similar to that used in this report except that ABARE includes the iron and steel and the oil and gas industries.

Coverage

The survey aims to report on the financial position of all of Australia's minerals industry activity as defined above. This has been successful in that the survey coverage accounts for:

- All Australian alumina, bauxite, diamond, lead, nickel, tin, uranium and zinc production and over 90 per cent of ilmenite, iron ore and rutile production.
- Around 80 per cent of silver and zircon production, over 70 per cent of copper, black coal and gold production and around 50 per cent of aluminium production.

The respondent companies range from the largest companies to small exploration ventures. Respondent companies include Minerals Council members and non-members. The survey has not captured some of the smaller mining, prospecting and exploration companies, some overseas controlled companies and a portion of some joint venture operations.

The proportion of activity covered in this year's survey is comparable with the 2000 survey, except for gold, which is slightly less well covered.

Constant group

As respondents vary slightly from year to year, figures are not precisely comparable between annual surveys and it is not practical to correct for this by 'weighting' the data. For a more precise comparison, companies that responded to the survey in 1999/2000 and 2000/01 are treated as a smaller constant group.

The major accounting items for this constant group are separately reported and compared with the total group in Appendix 2. This procedure allows the removal of any bias in trends across survey years arising from changes in survey coverage.

The companies included in the constant group had a total value of assets equal to 96 per cent of the total value of assets of all survey respondents.

Overview for 2000/01

Industry profitability recovers in 2000/01, and is now at a more sustainable level.

Industry investment has fallen, in line with expectations, reflecting the cyclical nature of investment in the industry.

The overall industry statement of financial position remains sound. Changes during the year reflect the impact of consolidation in the industry and on-going financing of operational expansions.

Continuing micro-economic reform and cost-reductions, combined with prudent macroeconomic policy are vital if Australia is to consolidate its minerals growth potential.

Safety and Health

Despite a fall in the main lag indicator for safety and health performance, the Lost Time Injury Frequency Rate (LTIFR), fatalities continue to occur in the Australian minerals industry. With 14 deaths in 2000/01, safety and health remains the Council's highest priority.

The industry's LTIFR for 2000/01 is estimated at 8 per million hours worked, down from 11 per million hours worked in 1999/2000. Work continued during 2001 to initiate the reporting of a more meaningful safety and health outcome measure as well as the facilitation of site-based positive performance indicators. Further work is being undertaken to develop a useful and relevant positive performance indicator.

The Council continues to implement an extensive leadership strategy to pursue the vision of an *Australian minerals industry free of fatalities, injuries and diseases*. The strategy is based on four key drivers: leadership, learning and continuous improvement, recognition, and risk management.

Profitability

On all indicators of profitability, the performance of the minerals industry in 2000/01 reflected a strong improvement on recent years. Net profit return on average shareholders' funds was 13.9 per cent in 2000/01, compared with 4.0 per cent in 1999/2000, 3.7 per cent in 1998/99 and 1.8 per cent in 1997/98. This is also well up on the ten-year average for the industry of 6.9 per cent and is the highest return recorded since 1989/90. Over the entire 25-year history of the survey (illustrated in the chart below) net profit return on average shareholders' funds has averaged 10.1 per cent.

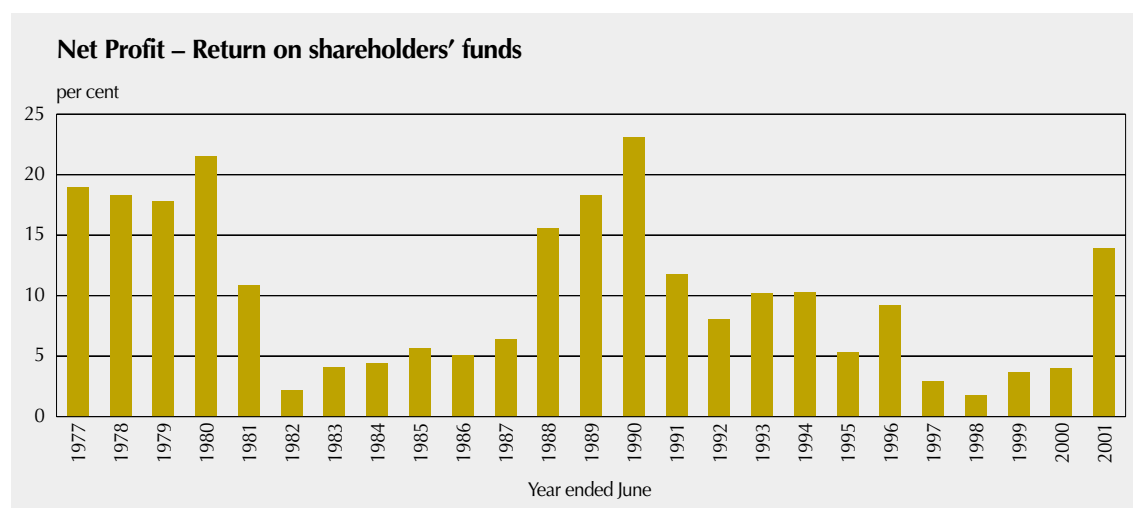
The improved 2000/01 profitability result mainly reflects the significant reduction in abnormal losses for the first time in six years. It also reflects the impact of the relatively high \$A price level (reflecting the relatively low level of the \$A/\$US exchange rate during the year) and increased production levels, particularly in the smelting and refining sector of the industry.

Net profit return on average assets employed rose, from 2.0 to 6.2 per cent, and is also up on the ten-year average for the industry.

Prices

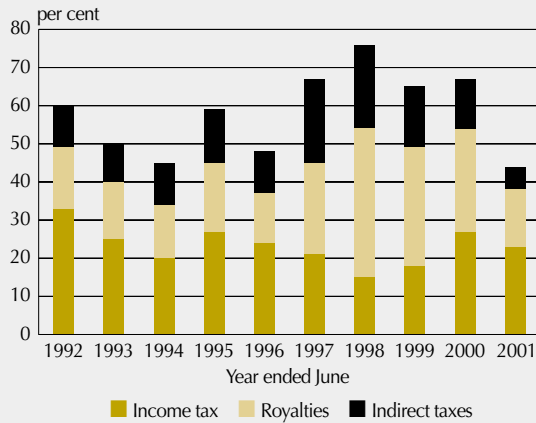
In 2000/01, average US dollar world mineral prices fell by 1 per cent, following a 1 per cent fall in the previous year. However, with the Australian dollar falling around 14 per cent between 1999/2000 and 2000/01, this translated into a nearly 15 per cent rise in the Australian dollar commodity price index between 1999/2000 and 2000/01.

Despite the overall fall in the US dollar price index, average US dollar prices for many mineral commodities rose in 2000/01. These increases were largely driven by a recovery in commodity demand due to renewed economic activity in Asia. The overall US dollar index was pulled down by price falls for some major commodity exports, particularly iron ore.



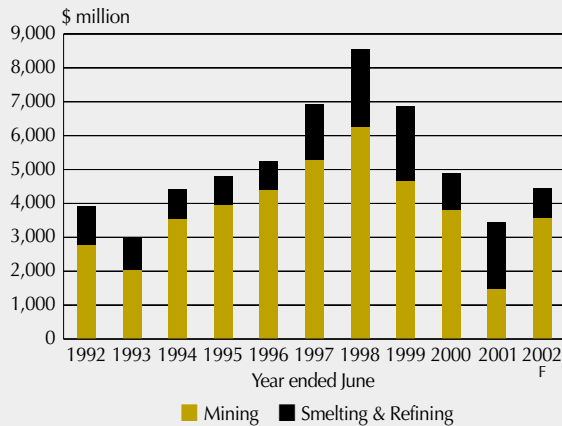
Taxes and Royalties

Share of profit before all taxes



Real spending on fixed assets

(1999/2000 dollars)



Official expectations (from ABARE) are for world prices for most mineral commodities to be lower in 2001/02. This is expected to be a result of a combination of restrained demand, due to the deterioration of economic conditions in the United States, Europe and Japan in the second half of 2001, and continued output growth. As a result, the extent to which there is excess supply over the first half of 2001/02 will influence price levels over the year.

Some major respondents have announced a scaling back of production in response to the fall in commodity demand arising from unfavourable global economic conditions.

Production

Overall mine production by respondents to the survey, as measured by the Minerals Council of Australia Mine Production Index, rose by 1.5 per cent in 2000/01, following a decline of 0.4 per cent in the previous year. Australian mine production has grown over the past ten years, with the Mine Production Index rising by 27 per cent over this period. Production of many mineral commodities was at record levels in 2000/01.

The Smelting and Refining Production Index rose by 10.0 per cent in 2000/01, with respondents' production results varying across the range of metals produced. Production of alumina, as reported by respondents, rose by 19 per cent in 2000/01, while production of aluminium rose by 2 per cent. Refined base metals production in 2000/01 rose by 2 per cent. Australian smelter and refinery production is expected to stabilise over the next few years until longer-term projects come on line (such as the proposed Gladstone alumina refinery, which is due to commence production in 2005).

Industry revenues

Total revenue rose 14 per cent, to \$36,080 million. Smelting and refining sales revenue rose 23 per cent, while mining revenue rose 5 per cent. This increase reflects the impact on Australian dollar prices of the relatively low level of the \$A/\$US exchange rate during the year (although some of these gains were mitigated by the hedging programs a number of respondents have in place to manage price fluctuations) and the increase in smelting and refining production following the completion of a number of recent operational expansions. According to ABARE statistics, the value of exports of minerals covered by this survey rose by 24 per cent in 2000/01 to \$40.0 billion, as a result of improved world prices, a lower average exchange rate and increased export volumes. Major increases in export revenue (in \$A terms) were reported for coal, alumina and aluminium, iron ore and copper.

Expenses

Total expenses rose 7 per cent, following a 3 per cent fall in 1999/2000. This increase reflected a number of factors, particularly an increase in general operating costs associated with the increase in industry production and the adverse impact of the relatively low \$A/\$US exchange rate on the cost of a number of key inputs, particularly fuel. Labour costs fell 8 per cent, associated with the lower level of direct employment in the industry. These falls were partly offset by a 59 per cent rise in interest expenses.

Taxation

The total amount of direct and indirect taxes incurred by respondents was \$3,243 million, up 38 per cent on 1999/2000. In 2000/01, total tax paid by companies represented 45 per cent of net profit before all taxes, down on the previous two years due to the improvement in profitability. Income tax expense rose by 77 per cent in 2000/01, also mainly as a result of the improvement in industry profitability. This outcome was also affected by the restatement of deferred tax balances at the end of the year to reflect the decrease in the company tax rate from 34 per cent to 30 per cent on 1 July 2001.

The share of royalties and indirect taxes in total payments decreased during 2000/01. The major reason for the decrease in the share of indirect taxes in total taxation was a higher level of profitability in the industry, which resulted in the significant increase in direct tax in the total share of taxes paid. In absolute terms, royalties and indirect tax payments (which are not directly related to profit levels) rose by over 11 per cent, from \$1,403 million to \$1,557 million.

Employment

In 2000/01, there was a slight reduction in direct employment by respondents. Employee numbers fell by 2 per cent from 52,053 at the end of 1999/2000 to 50,944 at the end of 2000/01. This was mainly in exploration activities. While there was some reduction in smelting and refining employment, mining employment increased marginally. Direct employment has fallen in each of the past five years after being fairly constant in the previous five-year period. Respondents forecast their direct employment levels to be a further 6 per cent lower next year.

Part of the decline in direct employment can be explained in terms of a shift to the use of contract labour, which has been a trend reported by respondents in recent years. In 2000/01, there were 16,069 full-time equivalent contractors engaged by respondents, a decrease of 9 per cent on the 17,633 full-time equivalent contractors engaged by respondents in 1999/2000. This reflects the end of a number of construction projects in the industry that involved contractor employment. This data does not include part-time contractors (undertaking short-term maintenance work or drilling operations, for example). The share of contractors in total employment therefore fell slightly, from 25 per cent to 24 per cent.

Taking contractors into account, total employment by respondents to the survey fell by 4 per cent, from 69,686 to 67,013.

Borrowings

Reflecting the impact of the relatively low \$A/\$US exchange rate during the year and the level of investment activity, particularly in smelting and refining, borrowings were \$15,925 million at the end of 2000/01, 6 per cent higher than at the end of the previous year. The level of borrowings denominated in \$A fell by 12 per cent while the level denominated in a foreign currency, particularly \$US, rose by 15 per cent. The debt to equity ratio rose from 0.52 to 0.55.

Exploration

In 2000/01, respondents spent \$181 million on overseas exploration activities and \$521 million in Australia. Total exploration expenditure by all survey respondents, of \$702 million, was 16 per cent lower than the \$832 million spent in 1999/2000. Exploration expenditure in Australia by larger survey respondents down by 5 per cent while overseas exploration expenditure by larger survey respondents was down by 19 per cent.

Larger Australian mineral companies are on average currently spending over 32 per cent of their exploration budgets overseas. In the previous five years, this figure averaged 42 per cent. This underlines the critical importance of Australia's mineral investment climate remaining competitive.

Investment

Net capital expenditure on fixed and deferred assets fell by 26 per cent in 2000/01 to \$3,604 million. It fell by 60 per cent in the mining sector (reflecting the impact of asset write-downs) but rose by around 90 per cent in the smelting and refining sector of the industry (as a result of one major and a number of lesser one-off purchases of further interests in existing projects which have impacted by restating historic asset values to reflect the 'fair value' of assets as they change hands).

This decrease in investment spending reflects the completion of a number of large projects recently. Most of these projects are now fully commissioned and will, in coming years, add further to Australian minerals production. There is, however, a lack of new major projects on the horizon.

Outlook for 2001/02

The recent reduction in investment activity follows the significant investment activity in the minerals industry since 1992/93. Investment is expected to rise in the coming year, reflecting a number of committed projects.

Net capital expenditure on fixed and deferred assets is forecast to increase by 29 per cent in 2001/02. Fixed asset expenditure in the mining sector is expected to increase by 144 per cent while in smelting and refining it is expected to fall by 55 per cent. These figures are, however, impacted by the level of current year asset write-downs in the industry. It should also be noted that both of these numbers are from a relatively low base in 2000/01.

Encouragingly, exploration expenditure in Australia is forecast to rise by 10 per cent in 2001/02, albeit from a low base. The outlook for research and development expenditure is lower, with the 2001/02 result forecast to be down 14 per cent on the 2000/01 outcome. This represents the sixth year in a row where research and development expenditure has fallen and, together with the still low level of total exploration expenditure, is a concern for the next generation of minerals developments.

The policy environment

Recently constructed projects in the industry and those subject to consideration will result in an increase in Australian minerals production over the coming years. Apart from market conditions, government taxation and regulatory policy will have an important influence on decisions to proceed.

The Commonwealth Government recognised the urgent need for **indirect tax reform** to address the problem of taxation on inputs to production (which reduces Australia's international competitiveness) and reliance on a narrow base for indirect taxation in the economy. On 1 July 2001, Australia marked the first birthday of the goods and services tax (GST). With some exceptions, the GST is now largely bedded down, and the ATO has, leading up and following the GST's introduction, generally shown a willingness to engage constructively with the Council in seeking pragmatic solutions to everyday commercial issues in a manner that is consistent with the law.

In the context of international competitiveness, the issue of **fuel tax** has been a major issue for the minerals industry for many years. An important issue for industry over the coming year will be the further development of the new **Energy Credits Scheme**, which is set to commence on 1 July 2003

(following a deferral of its expected start time of 1 July 2002), and will subsume the current Diesel Fuel Rebate Scheme (DFRS) and the Diesel and Alternative Fuels Grants Scheme (DAFGS).

The industry will be particularly keen to ensure the Government's commitments – that the future Scheme will maintain benefits that are equivalent to those available under the current Schemes – are honoured.

In this context, the Council is also interested in the outcomes of the Government's **Fuel Taxation Inquiry**, to which the Council made a submission in October 2001. The Council notes that fuel represents one of the principal variable inputs into the diverse, capital intensive, internationally competitive minerals sector. Policies in relation to the taxation of fuel are therefore critical not only to government revenue but also to the sustainability of export oriented business operations.

Consistent with the principle of not taxing business inputs, there should be no cap on payments under either the DFRS or the DAFGS and there should be no cap on these schemes once they are subsumed into the Energy Grants (Credits) Scheme.

In relation to **direct taxation**, the Council has long argued that it is the combination of all business tax rates and measures, and not just the corporate rate (or any other single tax measure), that is important in assessing project viability. In this context, the Council continues to welcome the pragmatic approach the Government has taken in many aspects of its on-going response to the Review of Business Taxation.

A number of minerals companies continue to be concerned about the loss of so-called '**accelerated' depreciation** arrangements. The Ralph Review finally recommended its removal in favour of a lower company tax rate. However, it acknowledged at the time that this was "not an easy judgement to make" and one that would favour labour intensive over capital intensive industry.

It would be counter productive if funding of the lower tax rate through removal of 'accelerated' write-off for major project investment meant a dramatic extension of effective lives of assets for tax purposes. Australia is virtually alone in having an **effective lives** regime.

Following the decision of the Council of Australian Governments at its 8 June 2001 meeting to conduct a national energy policy review, the ATO has advised it will defer a determination on 50 year effective lives for long-lived gas infrastructure.

It would not be in the national interest if special consideration were given to any one sector in the absence of a consistent public policy position on all long-lived assets.

A key factor in improving Australia's attractiveness to investors is sustained improvements in productivity. Issues affecting competitiveness and the ability to improve productivity include **native title, environmental requirements** and **microeconomic reforms**, including removal of tariffs and other imposts on business inputs, labour market policies and practices, provision of world class economic infrastructure and streamlining of approvals processes. A **macroeconomic environment** featuring stable growth, low inflation, fiscal prudence and steady monetary policy must also be maintained.

There is a growing acknowledgment within the broader community of the need to put in place effective and efficient legislative mechanisms to support the **interaction of the minerals industry and indigenous interests**. The industry actively seeks to form cooperative partnerships with indigenous peoples. All arrangements, however, need to be underpinned by effective legislation that produces workable outcomes within realistic time frames.

In addition, the industry is concerned that **regulation**, including **environmental regulation** and **land access**, should not impose unnecessary cost, time and administrative burdens.

The **Global Mining Initiative** (GMI) is a program driven by a group of dedicated mining company CEOs from across the world, including a number of Australian participants. This leadership initiative aims to ensure that an industry which is essential to the well being of a changing world is responsive to global needs and challenges. The GMI will include a number of activities leading up to a global conference on mining and sustainable development, *Resourcing the Future*, to be held in Toronto, Canada from 12-15 May 2002. This conference will be a significant contribution to the events that will mark the tenth anniversary of the Rio Earth Summit, including the World Summit on Sustainable Development to be held in Johannesburg, South Africa from 2-11 September 2002. The objective is to reach a clearer definition and understanding of the positive part the mining and minerals industry can play in making the transition to sustainable patterns of economic development.

The on-going international and Australian response to the issue of **greenhouse gas emissions** will be critical to decisions on locating energy intensive minerals processing operations in Australia and will also influence Australia's coal sector. It is important that Australia's response to greenhouse issues continue to be considered as part of a broader global solution. The industry supports the need for all parts of the Australian economy to make a fair contribution to the international effort to reduce greenhouse emissions. Within this context, the outcome of Seventh Session of the Conference of the Parties (COP-7) at Marrakesh, Morocco in November 2001 may well lead to entry into force of the **Kyoto Protocol** as early as mid-2003.

For Australia, consideration of the merits of ratifying the Kyoto Protocol needs to be thorough and take account of the full range of actual and potential economic, legal and strategic issues and consequences. Only when all implementation issues – both overseas and at home – are decided will minerals companies be in a position to pursue future investments while contributing to Australia's greenhouse gas abatement responsibilities.

Importantly, if the Protocol enters into force with the United States and developing countries outside the agreement, it will cover only around 30 per cent of global greenhouse gas emissions. The Kyoto Protocol can be considered to be truly successful only when a pathway can be found for ensuring the involvement of the United States and developing countries.

The Australian minerals industry advocates that international climate change policy should be based on sound principles that:

- lead to an effective environmental outcome. Climate change is a global issue which must be addressed through enduring international solutions involving all countries;
- recognise the economic growth and development aspirations of developing countries. Developing countries must be able to pursue economic growth and development opportunities to meet the needs of their peoples and should have an economic incentive to abate greenhouse gas emissions;
- ensure that all countries face the same price signal for greenhouse emissions. Without this condition international trade and investment decisions are likely to be distorted and lead to emission 'leakage';
- result in a least cost global outcome that is in the interests of all parties; and

- lend themselves to streamlined and efficient administrative arrangements. Measuring, monitoring, reporting and verifying greenhouse gas emission abatement are essential elements for all participating countries. A simple and efficient approach here will enhance the capacity of developing countries to undertake this work and minimise costs.

Domestically, consideration of the implementation of emission reduction policies requires a more complete recognition of the potential effects of a national **emissions trading system** on the international competitiveness of Australia's major export industries. In this context, the industry continues to welcome the statements by the Commonwealth Government in August and September 2000 that a mandatory domestic trading system would only be implemented if the Kyoto Protocol is ratified by Australia, has entered into force and there is an established international emission trading regime in place. The decisions taken provide a crucial underpinning for the development of a more strategic Australian response to the greenhouse gas emissions issue, as well as greater investor certainty in Australia. The minerals industry will continue to work in partnership with the Government to develop further greenhouse policies and measures based on the firm underpinning provided by these decisions.

A further key issue for the Government in this area will be to ensure that it implements an effective **'no disadvantage principle'** to meet the September 2000 commitment that it will avoid greenhouse gas abatement policies and measures that discriminate against new entrants to Australian industry or disadvantage 'early movers' in Australian industry.

The WTO Ministerial Conference held in Doha, Qatar, in mid-November 2001 agreed to a further round of **multilateral trade negotiations**. While the text of the Ministerial declaration requires some clarification, it is clear there has been a degree of compromise by all parties to ensure agreement on a new round. The key trade-offs to enable the phase out of agricultural subsidies to be included were environment, competition policy and investment. The Council will continue to strongly assert that trade mechanisms should not be used to achieve non-trade outcomes.

Finally, the conduct of **transport policy** is also important to the Council. Australia has arguably the largest dry bulk mineral export-shipping task in the world. The operation of integrated transport systems from the mine gate through Australian ports and overseas via shipping is therefore very important to the minerals industry. These activities need to be safe, environmentally sound and competitive. As Australia is an island, it is also vital that we learn to integrate the conduct of our trade and commerce with the sustainable management of our ocean resources.

The Council joined with the National Bulk Commodities Group in providing a number of important submissions to government during the year and in representing the industry on various policy bodies. In 2002, the Council will be working with government on its response to the **Review of the Navigation Act 1912** and the **Great Barrier Reef Review of Ship Safety and Pollution Prevention Measures**.

The Council has also played a key role through the National Introduced Marine Pests Coordinating Group to develop and now monitor the new mandatory ballast water management arrangements, introduced from 1 July 2001. It is vitally important that this Group now works towards the achievement of an effective integrated national approach to the **prevention and management of introduced marine pests** that is consistent with international developments and to improve further the associated Decision Support System.

Items of Interest	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million
Operating Revenue	36,080	30,482	30,383
Total Assets at Year End	61,815	57,410	56,823
Borrowings at Year End	15,925	15,081	15,006
Interest Expense	2,613	1,644	1,249
Direct Taxes	2,783	1,903	1,547
Operating Profit Before Abnormal Items	6,243	3,891	3,666
Net Profit	4,010	1,121	1,057
Net Capital Expenditure (Investment) on Mining, Smelting and Refining Assets	3,604	4,885	6,716
– mining fixed assets	1,525	3,790	4,535
– smelting and refining assets	2,079	1,095	2,181
Direct employees at Year End	50,944	52,053	56,459
Contractors considered a substitute for full time employees	16,069	17,633	16,556
Total Employment	67,013	69,686	73,015
Rates of Return	per cent	per cent	per cent
Operating Profit Before Abnormals Return on Average Shareholders' Funds	21.7	13.8	12.8
Net Profit Return on Average Shareholders' Funds	13.9	4.0	3.7
Net Profit Return on Average Assets Employed	6.2	2.0	1.9
Gross Debt to Equity Ratio	0.55	0.52	0.54

Forecasts	2001/02 forecast \$ million	2000/01 actual \$ million	Forecast percentage change
Net expenditure on mining assets	3,722	1,525	144.1
Net expenditure on smelting and refining assets	937	2,079	-54.9
Total net expenditure on mining, smelting and refining assets	4,660	3,604	29.3
Direct employees at Year End	47,350	50,944	-7.1

Safety and Health Performance

The Council's highest priority remains the elimination of minerals industry fatalities, injuries and diseases.

The industry's main lag indicator, the Lost Time Injury Frequency Rate, is estimated to have fallen to 8 per million hours worked for 2000/01, compared with 11 per million hours worked for 1999/2000.

Work continued during the year to initiate a more effective and meaningful outcome-based measure of safety and health performance in the industry.

Sadly, there were fourteen too many fatalities in this reporting year.

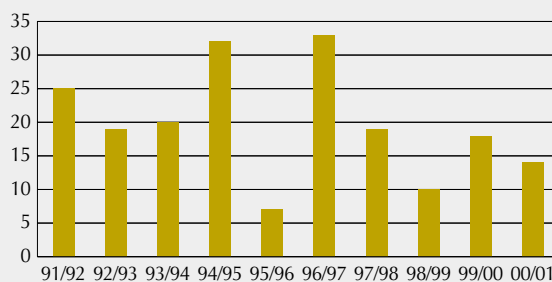
While work continues on a suite of positive performance indicators, the Lost Time Injury Frequency Rate (LTIFR) remains the most widely used lag indicator and continued its decline in 2000/01.

Early in 2001, the Council's Safety and Health Committee refocussed its strategic leadership program to include risk management activities. This work, along with other initiatives, will be continued and promoted during 2002.

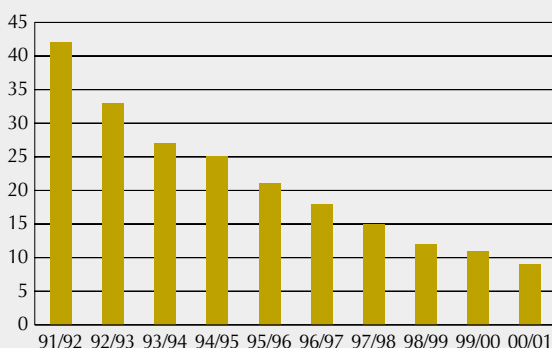
In pursuit of the Minerals Council of Australia vision of an Australian minerals industry **free of fatalities, injuries and diseases**, the Safety and Health Committee continues its leadership drive to improve safety and health performance.

The information provided below is sourced from the Minerals Council quarterly *Safety Survey Report*, which is available from the Council's website (at www.minerals.org.au/pages/page2_14.asp), and the annual Australian minerals industry *Safety and Health Performance Report 2000-01*, which will be available in early 2002.

Fatalities 1991/92 to 2000/01



Total Industry Lost Time Injury Frequency Rate 1991/92 to 2000/01



Fatalities

Regrettably, fourteen men died in the Australian minerals industry during the 2000/01 reporting year. In the past ten years, families and workmates have lost almost two hundred family members and friends to the industry.

Of the fourteen fatalities, nine occurred at underground mining operations – five in the metalliferous sector and four in the coal sector. Two men died in open-cut metalliferous operations, two more in the extractive sector and one in the smelting sector (of an underground metalliferous operation). Open-cut coal and exploration were fatality-free.

Half of the fatalities were associated with underground rockfalls. Five of the fatalities were associated with the use of vehicles or equipment.

The following are minerals industry colleagues who have died in this reporting year (2000/01). This list is intended to acknowledge their loss to their families, the community and the industry.

Peter Comerford	Queensland
John Maher	Queensland
Rodney Criddle	WA
Adrian Hayes	Tasmania
Greg Aspinall	NSW
Zbigniew (Zibi) Kosowski	WA
Patrick Stevens	Victoria
Anthony O'Malley Jones	NSW
Robert John Davies	NSW
Dean Lawrence Porro	WA
Russell Wayne Griffiths	WA
Phillip Steel	WA
Jarrod Jones	Tasmania
Matthew Lister	Tasmania

Lost Time Injuries

The *Safety Survey Report* published by the Council estimates the Australian minerals industry's LTIFR at eight lost time injuries per million hours worked for the year ending June 2001. This figure compares favourably with the official LTIFR for the 1999/2000 reporting year of 11.

Underground coal continues to have the highest LTIFR with a rate of 24. This is, however, an improvement on the rate of 37 reported last year. Open-cut coal improved marginally (from 12 to 11). Both underground and open-cut metalliferous rates have declined to an indicative rate of five from 12 and 8 respectively. Smelting/refining LTIFR has remained stable at five and exploration recorded the lowest rate at three.

Minerals Council of Australia activities

Five years ago, the Minerals Council made safety and health its highest priority. Since that time, it has implemented a strategy to provide and foster leadership to drive improvement in safety and health performance.

In 2001, the strategy involved four key drivers: leadership, learning and continuous improvement, recognition, and risk management. These are implemented by the Council's Safety and Health Committee, which reports to the Council's Executive Committee.

Safety and Health Leadership

Leadership remains the most powerful tool available to drive the changes needed to achieve performance improvement. The Council seeks to provide and foster leadership on safety and health matters in a number of ways. Key leadership activities in 2001 included:

- *Providing leadership* – Facilitating and demonstrating ongoing senior industry support for the Council's safety and health objectives and activities by industry leaders. The Council's Executive Committee held two of its meetings in conjunction with major Council safety and health events. At Executive Committee meetings safety and health is the first substantive item on the agenda and, at these meetings, individual members share information on fatalities and significant incidents as well as their own efforts to improve safety and health performance.
- *Fostering leadership* – The fourth annual CEO Safety and Health Session had as its theme *Communicating safety and the role of leadership*. The 2001 Session aimed to encourage greater dissemination of experiences and learnings and, to this end, a presentation was included which focussed on raising safety and health awareness of company directors.

Safety and Health Recognition

There is still much work to be done to improve the industry's safety and health performance. However, it is important to recognise and promote excellence and innovation wherever it occurs. In this way, the Council can encourage the continuation of excellence, share 'best practice' and foster improvement throughout the industry. The Council manages two national awards that provide such recognition:

- MINEX Awards – Coal & Allied's Bengalla Mining Company was the 2001 recipient of the MINEX Award, becoming the first operation in NSW to be awarded the prestigious trophy. There were two operations that were awarded a High Commendation: Delta Gold's Kanowna Belle Gold Mine and Anglo Coal Australia's Drayton Coal. Two more operations received a Commendation: Rio Tinto's Dampier Salt and Pasminco Limited's Rosebery Mine. In addition, further recognition was given to four operations that received an Acknowledgment. These were Powercoal's Angus Place Colliery, Western Metals' Lennard Shelf operation, Mining Project Investors' Stawell Gold Mine and Glencore's South Bulga Colliery. In total, nine of the fifteen original applicants for this year's MINEX received recognition.

The Council is hoping that the strong industry participation in this year's MINEX process will be repeated in 2002.

- 2001 National Safety and Health Innovation Awards – The third National Safety and Health Innovation Award was presented to M.I.M.'s Oaky North underground mine for its fibreglass concave-shaped 'load indicator plate', or washer, which flattens if too much pressure is applied to the rib bolt during hydraulic installation.

A case study on this year's MINEX Award recipient and a booklet profiling each of the national innovation finalists are expected to be available from the Council by the end of 2001. Previous years' MINEX case studies and Innovations Profile booklets are available from the Council's website (at www.minerals.org.au/pages/page2_14.asp).

Learning and Continuous Improvement in Safety and Health Performance

The Council also fulfils a leadership role by providing reliable, comprehensive and consistent data on the industry's safety and health performance. Target audiences for these publications include the minerals industry, which uses the data provided for monitoring and benchmarking purposes, as well as the wider community to raise awareness and report on the industry's progress and performance.

The two main publications in this area are the annual *Safety and Health Performance Report of the Australian minerals industry* and the quarterly *Safety Survey Reports*. Current issues of these publications are available from the Council's website (at www.minerals.org.au/pages/page2_14.asp).

Work continued in 2001 on positive performance indicators. A three-pronged approach includes guidelines on developing and using positive performance indicators at sites (*Positive Performance Measures: a practical guide*), broader outcomes measures (reporting on *total serious injuries*, which incorporates medical treatment injuries, lost time injuries and fatalities), and the MINEX self-evaluation tool. Further work on these three areas will be undertaken in 2002.

A significant incident alert and reporting scheme known as *SafetyShare* is also being developed and is expected to be trialed in late 2001 before being launched nationally in 2002.

Effective Risk Management of Safety and Health

The Council's safety and health work program refocused its activities in 2001 towards effective catastrophic risk management. In support of this redirection, the national safety and health conference held in Adelaide in June 2001 had as its theme effective catastrophic risk management and taking risk assessment to the 'next level'. As a result of this conference, national risk assessment guidelines are being developed to provide the minerals industry with guidance on risk analysis processes and how they are best applied.

Conclusion

The Minerals Council of Australia and its member companies remain committed to the safety and health vision, beliefs and awareness. The Council will continue its leadership drive to improve safety and health performance in 2002 and beyond.

SAFETY AND HEALTH VISION

An Australian minerals industry **free** of fatalities, injuries or diseases.

SAFETY AND HEALTH BELIEFS

- All fatalities, injuries and diseases are preventable.
- No task is so important that it cannot be done safely.
- All hazards can be identified and their risks managed.
- Everyone has a personal responsibility for the safety and health of themselves and others.
- Safety and health performance can always improve.

SAFETY AWARENESS

The state of mind where we are constantly aware of the possibility of injury and act accordingly at all times.

Price Movements

In 2000/01, average US dollar world mineral prices fell by 1 per cent, following a 1 per cent fall in the previous year. However, with the Australian dollar falling around 14 per cent between 1999/2000 and

The overall price index falls slightly in \$US terms, as falls in prices for some major commodity exports, particularly iron ore, are partly offset by rises for other major commodity exports, particularly coal.

The fall in the value of the \$A during the year means that prices for most major commodity exports rise substantially in \$A terms.

Official expectations are for average \$US prices to be lower in 2001/02.

2000/01, this translated into a nearly 15 per cent rise in the Australian dollar commodity price index between 1999/2000 and 2000/01.

Despite the overall fall in the US dollar price index, average US dollar prices for many mineral commodities rose in 2000/01. These increases were largely driven by a recovery in commodity demand due to renewed economic activity in Asia. The overall index was pulled down by price falls for a number of major commodity exports, particularly iron ore.

Official expectations (from ABARE) are for world prices for most mineral commodities to be lower in 2001/02. This is expected to be a result of a combination of restrained demand, due to the deterioration of economic conditions in the United States, Europe and Japan in the second half of 2001, and continued output growth. As a result, the extent to which there is excess supply over the first half of 2001/02 will influence price levels over the year. Some major respondents have announced a scaling back of production in response to the fall in commodity demand arising from unfavourable global economic conditions.

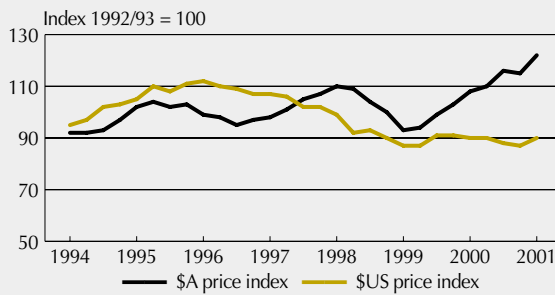
US dollar lead, copper and nickel prices fell by 1, 2 and 12 per cent respectively in 2000/01. Australian dollar copper prices rose by 14 per cent while nickel prices rose by around 2 per cent in Australian dollar terms (reflecting, as the chart illustrates, quarterly increases in the first half of the period followed by quarterly falls). Lead prices rose by 16 per cent in Australian dollar terms through the year.

US zinc prices fell 4 per cent through the year, but rose 11 per cent in Australian dollar terms.

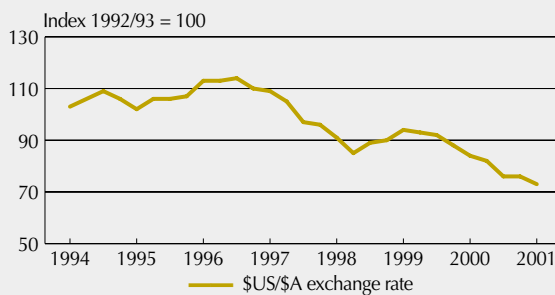
Steaming coal prices rose 4 per cent in US dollar terms 2000/01. This followed a 12 per cent decline in the previous year. Compared to steaming coal, coking coal demand was slightly weaker and the rise in US dollar prices, at 3 per cent, was less pronounced.

World demand for steaming coal is expected to be strong in 2001/02, with an increase in new coal fired generation capacity expected in east Asia. However, the prospect of increased Chinese coal exports and economic slowdown in many parts of the world are expected to impact on US dollar coal prices in 2001/02. Negotiations in early 2001 resulted in an increase in long-term steaming coal and coking coal contract prices with Japanese importers. Coking coal demand is expected to improve slightly in 2001/02 in response to some increase in demand by Asian steel makers.

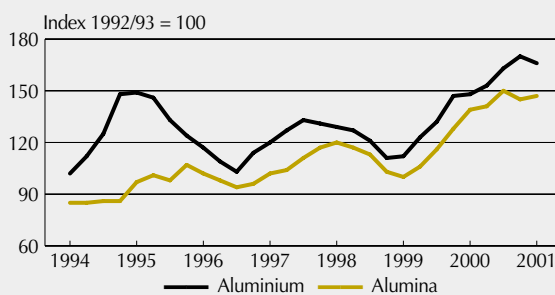
Price Indexes



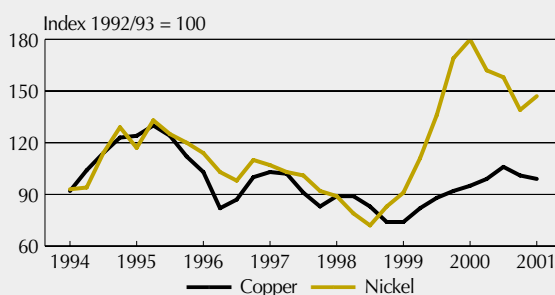
Exchange Rate



Alumina/Aluminium Prices



Copper/Nickel Prices



Iron ore prices fell by 10 per cent in 2000/01 in US dollar terms. World blast furnace steel production decreased marginally during 2000/01. Demand for iron ore is expected to improve in 2001/02 as a

result of stronger Asian demand, particularly in China and, to a lesser extent, Japan and Korea.

In 2000/01, weak aluminium demand combined with cuts in world aluminium production resulted in only slight increases in world aluminium and alumina prices, with rises of 2 and 3 per cent respectively recorded over the previous year.

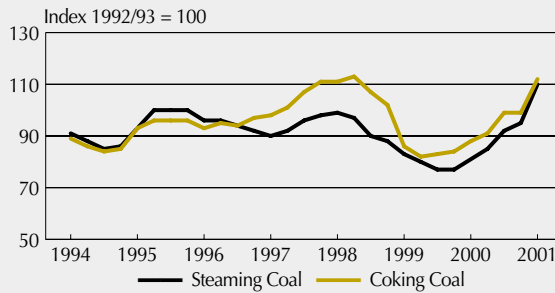
US dollar gold prices fell by 4 per cent in 2000/01, following a 2 per cent fall in the previous year. In Australian dollar terms, gold prices rose by around 12 per cent in 2000/01, after a 2 per cent fall in the previous year.

Australian gold producers, in general, retain a degree of management of short-term price fluctuations via the hedging programs that major companies have in place. Net official gold sales in 2001/02 are expected to remain steady, with members of the June 1999 Washington Central Banks Agreement on Gold expected to meet their self-imposed limit of 400 tonnes of combined annual gold sales. This compares to estimated net sales of 471 tonnes in 2000.

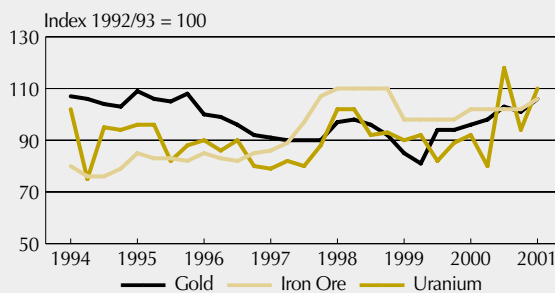
Australian dollar prices for ilmenite rose by 17 per cent in 2000/01, while rutile and zircon prices rose by 23 and 21 per cent, respectively. Since the early 1990s, prices have risen substantially as a result of constrained supply in other exporting countries, and continuing strong demand in the developed economies. Price increases are expected for ilmenite, rutile and zircon in 2000/01, reflecting expected growth in key export markets.

ABARE reports that average \$US prices for most mineral commodities are expected to be lower in 2001/02. ABARE notes the higher expected Australian dollar, combined with the lower expected \$US prices, may see the \$A prices for most mineral exports decrease during this period.

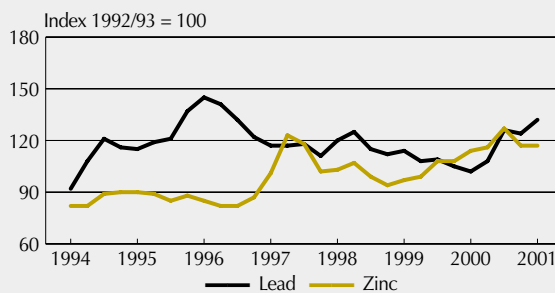
Steaming Coal/Coking Coal Prices



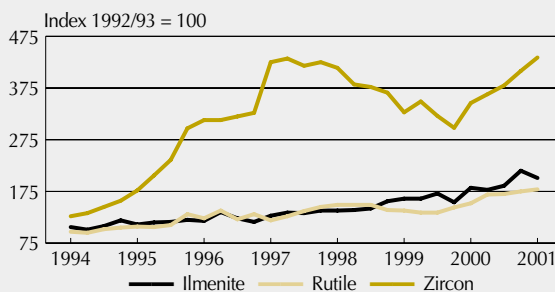
Gold/Iron Ore/Uranium Prices



Lead/Zinc Prices



Mineral Sands Prices



Note: The charts describe movements in Australian dollar prices for major minerals. Prices are presented in the form of quarterly indexes with the base year, 1992/93, equal to 100. The prices shown on the graphs for lead, copper, nickel and zinc are London Metal Exchange (LME) spot prices expressed in Australian dollars at average quarterly exchange rates. Alumina, aluminium, coking coal, steaming coal, iron ore, uranium and mineral sands prices are unit export values (export values divided by export tonnages). Gold prices are from the London bullion market. The Index of Mineral Commodity Prices is a weighted average of prices, using each mineral product's contribution to the total value of mineral exports over the period 1991/92 to 1993/94 to apportion weights. Raw price data are from Australian Bureau of Agricultural and Resources Economics, *Australian Mineral Statistics*, various issues.

Production

Australia retains its position as one of the world's leading minerals producing nations.

Growth in mine production steadies: the Minerals Council of Australia Mine Production Index has increased by 27 per cent over the ten years to 2000/01.

Smelting and refining production rises by 10 per cent.

The value of exports rises by 24 per cent as a result of volume increases and stronger \$A prices for many commodities.

Mine Production

Australia continued its position as one of the world's leading minerals producing nations in 2000/01. This position should be maintained well into the future, as official estimates by Geoscience Australia note that Australia has the world's largest economic demonstrated resources (mineral resources for which profitable extraction or production is possible) of lead, mineral sands, nickel, tantalum, uranium and zinc. In addition, its level of economic demonstrated resources is in the top six worldwide for bauxite, black coal, brown coal, cobalt, copper, gold, iron ore, lithium, manganese ore, rare earth oxides and gem/near gem diamond (see Geoscience Australia, *Australia's Identified Mineral Resources 2001*, or www.agso.gov.au, for further details).

Mine production by respondents to the survey, as measured by the Minerals Council of Australia Mine Production Index, rose by 1.5 per cent in 2000/01, following a fall of 0.4 per cent in the previous year. After growing strongly until 1997/98, Australian mine production has steadied in recent years. Overall, the Mine Production Index has risen by 27 per cent over the last ten years. Production of many mineral commodities was at record levels in 2000/01.

Bauxite production by respondents rose by 12 per cent in 2000/01 following an 8 per cent rise in 1999/2000.

Iron ore production by respondents rose by 7 per cent to record levels in 2000/01. The volume of iron ore exports rose by 5 per cent in 2000/01. Iron ore export volumes are expected to increase further in 2000/01, as a result of stronger Asian, particularly Chinese, demand.

Black coal production by respondents rose by 2 per cent in 2000/01, following a 2 per cent fall in the previous year. The Australian coal industry is continuing to undergo restructuring. A number of new mines in Queensland are expected to commence shortly, marking a turnaround from the experience of recent years. In addition, growth in world coal trade is expected to strengthen in 2001/02, following an increase in 2000/01, as coal fired electricity generation and blast furnace steel production grows.

Mine production of copper rose 2 per cent in 2000/01, lead production rose 2 per cent and zinc production rose 24 per cent. The increase in copper production during the year was largely the result of increased production at WMC's Olympic Dam mine in South Australia. The increase in zinc production was the result of increased production at Pasmenco's Century Zinc mine in Queensland.

Nickel production rose by 23 per cent in 2000/01. Strong increases in nickel production are expected in the next few years. Ramping up of production at the Cawse, Bulong and Murrin Murrin laterite nickel mines will result in increases in mine production and export returns in coming years.

Respondents' gold production fell in 2000/01. However, this figure has been affected by a slightly lower level of coverage of gold in this year's survey. According to Government figures, gold production rose by 0.2 per cent in 2000/01. Production is expected to remain flat in 2001/02, although increases are expected in the second half of the year as a number of operations reach capacity production levels and some new operations commence.

Uranium production rose in 2000/01, following an increase in 1999/2000. WMC's Olympic Dam mine continues to expand production. This boost to production may see uranium production increase further in 2001/02.

As foreshadowed in last year's report, ilmenite and rutile production rose strongly in 2000/01 following falls in 1999/2000, while zircon production was 2 per cent lower.

Smelting and Refining Production

The Smelting and Refining Production Index rose by 10.0 per cent in 2000/01, with respondents' production results varying across the range of metals produced. Production of alumina, as reported by respondents, rose by 19 per cent in 2000/01, while production of aluminium rose by 2 per cent.

However, the figures for aluminium have been affected by the survey's relatively low level of coverage of aluminium compared to other commodities. This relatively low level of coverage will make Government estimates a more reliable guide. According to Government figures, aluminium production rose by 3 per cent in 2000/01. A further small increase is expected in 2000/01 as a result of efficiency improvements at a number of smelters and refineries.

Refined base metals production in 2000/01 rose by 2 per cent following a 17 per cent rise in 1999/2000. Respondents' production of refined copper rose by 2 per cent. Refined zinc production rose by 3 per cent. Production of refined nickel rose by 5 per cent, while production of lead bullion fell by 7 per cent and production of refined lead by 8 per cent. Production of refined nickel is expected to increase in the coming year, reflecting increases in production by WMC and the three Western Australian laterite nickel producers.

Alumina production is expected to rise only slightly with no new expansions in capacity expected in 2001/02. Looking forward however, Comalco's announcement in late October 2001 that Rio Tinto Limited had approved the commencement of construction of the Comalco Alumina Refinery in Gladstone, Queensland will see the expenditure of \$US 750 million (on the first stage) to produce 1.4 million tonnes per annum of alumina. The construction and commissioning of the refinery is scheduled to be completed in three years with first product shipped in early 2005. Site preparation is due to commence by the end of 2001.

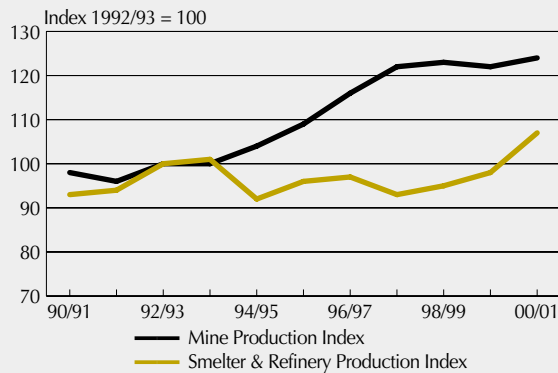
Reflecting the fall in refined lead production, production of refined silver fell by 10 per cent.

Exports

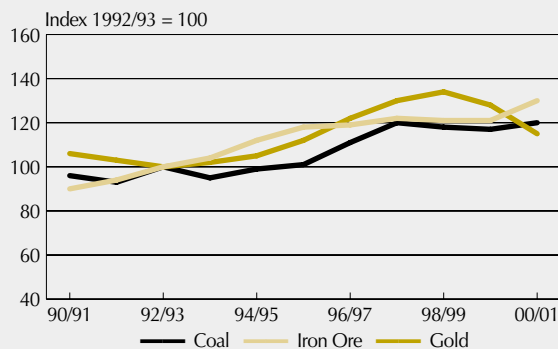
Around 90 per cent of Australian mineral production (by value) is exported directly or indirectly. According to ABARE statistics, the value of exports of minerals covered by this survey rose by 24 per cent in 2000/01 to \$40.0 billion, as a result of a lower average exchange rate and increased export volumes. Major increases in export revenue were reported for coal, alumina and aluminium, iron ore and copper.

As foreshadowed in last year's report, improved \$A prices and increased export volumes underpinned the improvement in exports. In 2001/02, exports are expected to increase further, although at a much more modest rate, with the only major rise expected for coal.

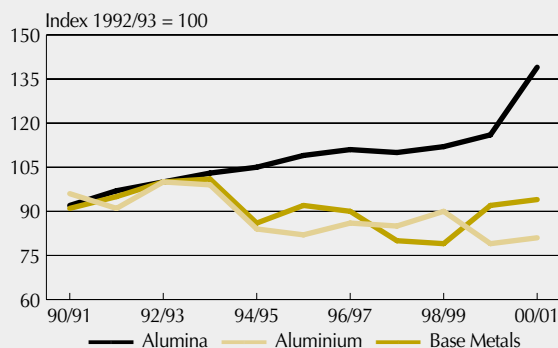
Mineral Production



Mine Production



Smelting and Refining



Note: The Minerals Council of Australia Mine Production Index and Smelting and Refining Index are based on production of survey respondents. The indexes are weighted averages with individual commodity weights based on each commodity's contribution to export earnings in the three years 1991/92 to 1993/94. The production figures reported in this survey generally differ slightly from Government estimates for the entire industry. As company coverage varies from year to year, the figures in the table may, in some cases, give a misleading impression of the movement in production volumes. In these cases, the commentary will point this out.

Production of Major Mineral Commodities by Survey Respondents^(a)

	2000/01 '000	1999/2000 '000	1998/99 '000
Mine Production			
Bauxite	57,973	51,723	48,049
Black Coal (saleable) ^(b)	180,664	176,701	178,022
Copper ^(c)	659	643	545
Diamonds ('000 carats)	43,646	41,681	40,843
Gold ^(c) ('000 troy ounces)	7,073	7,866	8,277
Iron Ore	158,211	147,763	147,612
Lead ^(c)	664	648	610
Mineral Sands – Ilmenite ^(c)	1,968	1,746	1,847
– Rutile ^(c)	191	157	196
– Zircon ^(c)	316	321	305
Manganese Ore ^(c)	1,612	1,501	1,579
Nickel ^(c)	271	220	100
Silver ^(c) ('000 troy ounces)	56,359	56,244	41,704
Tin ^(c)	9	9	8
Uranium (tonnes)	9,151	8,244	6,375
Zinc ^(c)	1,523	1,233	1,110
Smelting and Refining Production			
Alumina	16,930	14,202	13,647
Aluminium	909	889	1,011
Refined Copper	435	425	269
Lead Bullion	153	165	157
Refined Lead	215	233	196
Refined Zinc	344	333	323
Refined Nickel	90	86	76
Iron Ore Pellets	2,066	3,498	2,833
Refined Silver ('000 troy ounces)	11,715	13,057	9,464
Synthetic rutile	510	459	581

Notes: (a) Thousand tonnes unless otherwise specified.

(b) Raw coal production less rejects removed at coal washeries plus unexplained stock adjustments at the mine.

(c) Metallic content of mine production.

Aggregate Statement of Financial Position

Reflecting the level of recent expansions at existing operations and industry consolidation through acquisitions, the total value of assets employed increased by 8 per cent from 1999/2000.

Borrowings rose by 6 per cent, to finance operational expansions and acquisitions, and reflecting the impact of the lower average exchange rate on \$US denominated debt.

The overall industry statement of financial position remains sound.

At the end of 2000/01, the total value of assets employed in the minerals industry by survey respondents was \$61,815 million, an increase of 8 per cent on the previous year.

The value of fixed and deferred assets rose by 16 per cent to \$39,113 million. This followed a 6 per cent increase in the previous year. The increase in the value of fixed assets is a result of consolidation in the industry through some acquisitions, which have resulted in a revised 'fair value' for a number of industry fixed and deferred assets.

Shareholders' funds rose by 1 per cent. To finance operational expansions and acquisitions, and reflecting the impact of the lower average exchange rate on \$US denominated debt, borrowings rose by 6 per cent in 2000/01 to be \$15,925 million. As a result of the relatively stable level of shareholders' funds and the increase in borrowings, the gross debt to equity ratio rose slightly. At the end 2000/01, the gross debt to equity ratio was 0.55, up on the previous year, and well above the average for the past ten years of 0.42.

The ratio of current assets to current liabilities fell from 1.25 in 1999/2000 to 1.17 in 2000/01.

The ratio of revenue to fixed and deferred assets rose from 0.77 to 0.93. The funds turnover ratio also rose, from 0.75 to 0.82.

The overall industry statement of financial position remains sound. The slowing in the level of investment in fixed assets follows a period of high investment levels in the industry. This investment will provide a good base for the industry to capitalise on any future upturn in world commodity prices.

	2000/01	1999/2000	1998/99	2000/01	1999/2000	1998/99
	\$ million			Percentage of total assets		
Shareholders' Funds	28,909	28,748	27,690	50.6	50.1	48.7
Borrowings	15,925	15,081	15,006	21.7	26.3	26.4
Total Funds Employed	44,834	43,829	42,696	72.3	76.4	75.1
Income Tax Provision	3,889	3,528	4,118	6.5	6.2	7.2
Other Provisions	5,522	4,913	4,720	8.7	8.6	8.3
Trade Creditors and Accruals	5,277	3,527	3,893	8.5	6.1	6.9
Other Liabilities	2,294	1,601	1,396	4.0	2.7	2.5
Equity and Liabilities	61,815	57,410	56,823	100.0	100.0	100.0
Fixed and Deferred Assets	39,113	38,502	40,788	59.4	67.1	71.8
Operating Current Assets	13,889	10,513	10,566	22.3	18.3	18.6
Other Assets	8,814	8,396	5,468	17.3	14.6	9.6
Total Assets	61,815	57,410	56,823	100.0	100.0	100.0
		Average ratios				
Revenue to Fixed Assets	0.93	0.77	0.76			
Funds Turnover Ratio	0.82	0.75	0.77			
Gross Debt to Equity Ratio	0.55	0.52	0.54			
Current Ratio	1.17	1.25	1.15			

Aggregate Statement of Financial Performance

Industry profitability recovers after a period of low returns.

Australian dollar price increases and solid production levels mean that total revenue records a 14 per cent increase.

Total expenses increase, with interest expenses and production and other operating costs contributing most to this rise.

Industry profits increased in 2000/01, due to the combination of a strong increase in revenue more than offsetting an increase in costs, and a lower level of abnormal losses than in 1999/2000.

Total revenue rose 14 per cent to \$36,080 million. Within this total, smelting and refining sales revenue rose by 23 per cent, while mining revenue rose by 5 per cent. These results reflected the combination of world price movements, generally higher production volumes (particularly of alumina) and the lower \$A/\$US exchange rate. They are also impacted by the difficulty of splitting revenue between mining and smelting and refining faced by some integrated producers in the industry. Other revenue rose by 78 per cent, reflecting a number of one-off transactions in the industry.

Total expenses rose by 7 per cent, following a 3 per cent fall in 1999/2000. Interest expenses and production and other operating costs (reflecting increased borrowings, a number of operational expansions in the industry and the adverse impact of the lower average \$A/\$US during the year) contributed most to this rise.

Interest expenses rose by 57 per cent. This rise was the result of the impact of the relatively low average exchange rate during the year, the lower level of interest capitalisation on major projects and changes in the level of inter-company borrowings of major respondents.

Resource based taxes rose by 16 per cent. This reflected the impacts of the changes in some production levels on royalty payments and some new respondents to the survey.

Depreciation and amortisation expenses rose by 4 per cent. Labour costs fell 7 per cent in 2000/01, reflecting the fall in direct employment and the lower level of redundancy payments than in recent years.

Operating profit before abnormals was \$6,243 million, following a period of low profit returns. A fifth year of write-downs in the value of company assets (albeit at a much lower level) saw the industry post an abnormal loss of \$548 million, compared to a \$1,816 million loss in 1999/2000. The industry also experienced a significant increase in net exchanges losses, which rose by 262 per cent from \$186 million in 1999/2000 to \$673 million in 2000/01. It is important to note the survey does not identify the mix of realised and unrealised net exchange losses.

Operating profit before income tax was \$5,695 million and net profit in 2000/01 was \$4,010 million.

In summary, profitability has recovered to more sustainable levels, confirming that the weakness of results in previous years has reflected factors other than an erosion of productivity or efficiency. The industry has responded to difficult circumstances by instituting major changes to the way it operates and, as a result, is better placed to meet the challenges in the years ahead.

	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million
Mining Sales	21,184	20,181	21,242
Smelting and Refining Sales	12,628	10,300	9,142
Other Revenue	2,267	1,273	1,957
Total Revenue	36,080	31,755	32,341
Labour Costs	3,994	4,290	4,965
Government Rail and Port Charges	1,059	1,225	1,381
Cost of Production and Operating Costs ^(a)	16,084	15,410	15,854
Depreciation and Amortisation	3,855	3,708	3,679
Interest	2,613	1,644	1,249
Resource Based Taxes	1,097	949	978
Net Exchange Losses	673	186	56
Indirect Taxes	460	454	513
Total Expense	29,837	27,864	28,675
Operating profit before abnormals	6,243	3,891	3,666
Abnormal Gain (Loss)	(548)	(1,816)	(2,040)
Operating Profit	5,695	2,075	1,626
Income Tax Expense	1,685	954	569
Net Profit Before Extraordinaries	4,010	1,121	1,057
Net Extraordinary Gain (Loss)	0	0	0
Net Profit	4,010	1,121	1,057
Note: (a) Includes costs of production, contractor costs and marketing costs that are not separately identified in the Table.			

Profitability

Improved profitability in 2000/01, to levels to levels more consistent with the industry average over the past twenty-five years.

The recovery in profitability was particularly strong in the mining sector of the industry.

Following a period of low profitability, both overseas and in Australia, indicators of profitability for the industry improved markedly during 2000/01, to levels more consistent with the industry average over the past twenty-five years. In part, the low level of recent profitability reflected the large number of new projects in the industry (and was also influenced by major asset write-downs). Now commissioned, most of these projects are contributing to profit levels. On this basis, and given the reduction in abnormal losses, the outlook is for continuing profitability in coming years.

The net profit return on average shareholders' funds was 13.9 per cent in 2000/01, compared with 4.0 per cent in the previous year. This is well above the ten-year average of this measure of profitability of 6.9 per cent.

The net profit return on average assets employed also rose, from 2.0 per cent in 1999/2000 to 6.7 per cent in 2000/01. This was also well above the ten-year average of this measure of 3.7 per cent. A broader measure of rates of return, operating profit before interest and income tax expense on average funds employed, was 19.3 per cent in 2000/01. This is up on the 8.6 per cent return recorded in 1999/2000 and the 6.8 per cent return recorded in 1998/99. This is a measure of the total return from minerals industry activities to be shared between shareholders, lenders and governments.

As in most years, there was large variation in profits / losses across commodities and across respondents.

Note: The ratios quoted in the table below are a better measure of performance than absolute dollar earnings. The latter is not a reliable guide to the industry's performance unless it is related to the level of funds invested or the asset base. Figures in the funding and profitability table should be interpreted with care. Asset values have generally not been adjusted to reflect the effects of inflation. Consequently, in current dollar terms, the returns on shareholders' funds and the other profit measures tend to be overstated and the aggregate value of assets understated. For definitions, see Appendix 1.

	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million
Average Shareholders' Funds	28,829	28,219	28,610
Average Funds Employed	42,942	43,263	42,141
Average Assets	59,613	57,117	56,367
Operating Profit Before Abnormal Items	6,243	3,891	3,666
Operating Profit Before Interest and Income Tax	8,308	3,719	2,876
Operating Profit Before Income Tax	5,695	2,075	1,626
Operating Profit After Income Tax	4,010	1,121	1,057
Net Extraordinary Gain (Loss)	0	0	0
Net Profit	4,010	1,121	1,057
Rates of Return	per cent	per cent	per cent
Operating Profit Before Abnormals Return on Average Shareholders' Funds	21.7	13.8	12.8
Operating Profit Before Interest and Income Tax Expense on Average Funds Employed	19.3	8.6	6.8
Net Profit Return on Average Shareholders' Funds	13.9	4.0	3.7
Net Profit Return on Average Assets Employed	6.7	2.0	1.9
Net Profit Return on Total Revenue	11.1	3.5	3.3

The improvement in profitability was particularly strong in the mining sector of the industry, which recorded a profit of \$2,456 million, representing a net profit return on average assets employed of 11.6 per cent. This was up from the 4.1 per cent recorded in 1999/2000.

In the smelting and refining sector of the industry, net profit return on average assets employed in this sector of the industry was 2.6 per cent. This compares with a return of -2.5 per cent in the previous year and -0.6 per cent in 1998/99.

Note: Some care should be taken in interpreting the figures reported in the table below. The aluminium / alumina sector largely reports on a calendar year basis. Thus, the survey does not reflect price changes in the latter half of 2000/01. Secondly, the split between mining and smelting and refining is somewhat artificial. For example, primary gold smelting to produce doré is included in the mining sector.

Mining	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million
Sales Revenue	21,184	20,181	21,242
Net Profit	2,456	1,585	1,170
	per cent	per cent	per cent
Net Profit on Average Assets Employed	11.6	4.1	3.0
Smelting and Refining	\$ million	\$ million	\$ million
Sales Revenue	12,628	10,300	9,142
Net Profit	1,553	(464)	(113)
	per cent	per cent	per cent
Net Profit on Average Assets Employed	2.6	-2.5	-0.6

Statement of Cash Flows

A welcome growth in net cash from operating activities was applied to on-going investment activities and returned to stakeholders in the form of interest and dividend payments.

In 2000/01, the minerals industry received \$32,362 million from customers. Net cash from operating activities totalled \$8,794 million, which was largely applied to investment activities, particularly the purchase of property, plant and equipment. Overall, however, net cash used in investment activities was lower than net cash provided by operating activities.

Proceeds from the issue of shares in 2000/01 were \$1,344 million, 214 per cent higher than in 1999/2000. The statement of cashflows shows new borrowings and refinancing of existing debt down from 1999/2000. There was, however, still an

increase in net borrowings. These borrowings were undertaken to finance operational expansions and acquisitions in the industry. The lower \$A/\$US exchange rate would have contributed to an increase in the recorded value of \$US debt outstanding at balance date. This also partly explains the increase in interest payments.

Dividend payments were recorded as \$3,637 million. This result reflects the final dividend payment for 1999/2000 and an interim payment for 2000/01. In addition, this amount does not necessarily equate to shareholder payments, as it can reflect payments by subsidiaries to parent companies.

	2000/01 \$ million	1999/2000 \$ million
Operating Activities		
Receipts from customers	32,362	30,065
Payments to suppliers and employees	(22,034)	(22,862)
Dividends received	475	180
Interest received	896	354
Interest and other costs of finance paid	(2,233)	(1,587)
Income taxes paid	(745)	(1,077)
Other	74	963
Net cash provided by operating activities	8,794	6,036
Investing		
Payment for purchase of controlled entities	(2,306)	(880)
Proceeds from sale of controlled entities	1,506	397
Payments for property, plant and equipment	(4,870)	(3,541)
Proceeds from sale of property, plant and equipment	219	581
Other payments	(1,297)	(1,061)
Other proceeds	969	1,077
Net cash used in investing activities	(5,779)	(3,426)
Financing		
Proceeds from issues of shares	1,344	428
Proceeds from borrowings	12,522	13,871
Repayments of borrowings	(11,505)	(14,443)
Dividends paid	(3,637)	(2,295)
Other	(1,528)	167
Net cash provided by financing activities	(2,803)	(2,272)
Cash at the beginning of the year ^(a)	1,241	1,213
Net increase / (decrease) in cash held	212	337
Movements attributable to exchange rate fluctuations on foreign currencies held	29	(2)
Cash at the end of the year	1,482	1,549
Note: (a) The change in the mix of respondents means cash at the beginning of 2000/01 differs from the 1999/2000 end of year figure.		

Borrowings

Reflecting the impact of the relatively low \$A/\$US exchange rate, and the level of investment activity in the industry during the year, particularly in smelting and refining, borrowings were \$15,925 million at the end of 2000/01, 6 per cent higher than at the end of the previous year.

The shift towards longer-term debt evident in 1999/2000 continues, although a significant level of borrowings is considered repayable within one year.

Around 70 per cent of debt is now denominated in a foreign currency.

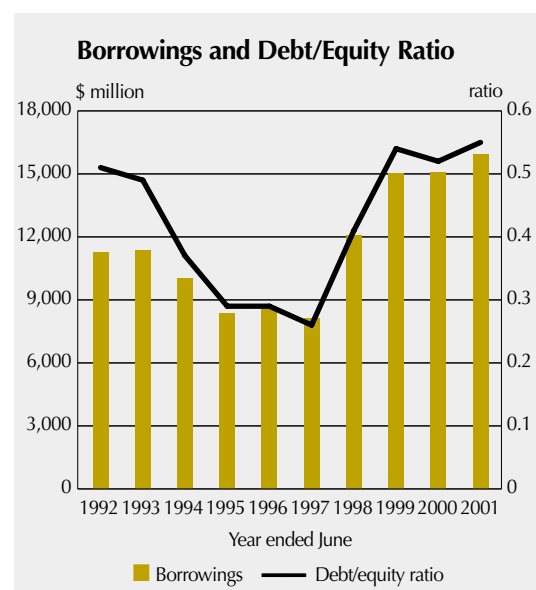
At the end of 2000/01, borrowings were \$15,925 million, 6 per cent higher than at the end of the previous year.

This level of borrowings reflects the financing of operational expansions and acquisitions, and the impact of the lower average exchange rate on the level of \$US denominated debt. As a result of the rise in borrowings and the relatively stable level of shareholders' funds, the gross debt to equity ratio rose, from 0.52 in 1999/2000 to 0.55 in 2000/01, and is well above the average for the past ten years (see Appendix 3).

The proportion of borrowing repayable between two and three years was relatively stable at 24 per cent, while the proportion of debt repayable between four and five years fell from 25 per cent to 8 per cent. The share of debt repayable after more than five years rose from 41 per cent to 50 per cent. The share of debt repayable within one year rose from 10 to 18 per cent.

In 1999/2000, there was a pronounced increase in foreign, especially \$US, denominated debt. This increase continued in 2000/01, with debt denominated in a foreign currency now accounting for around 70 per cent of total borrowing.

Debt denominated in a foreign currency, particularly that which is \$US denominated, provides the advantage of a natural hedge arising from the fact that most of the industry's revenue is denominated in foreign currency. While the optimal mix of debt will vary with industry circumstances, incentives to shift in or out of foreign denominated debt can also be explained by the relative rates of interest that are available in overseas financial markets, compared with domestic interest rates.



Amounts Owing at Balance Date Repayable Within:	June 2001 \$ million	June 2000 \$ million	June 1999 \$ million	June 2001 percentage of total	June 2000 percentage of total	June 1999 percentage of total
1 Year	2,790	1,491	2,245	17.5	9.9	15.0
2 – 3 Years	3,818	3,561	3,623	24.0	23.6	24.1
4 – 5 Years	1,287	3,795	2,793	8.1	25.2	18.6
After 5 Years	8,029	6,233	6,345	50.4	41.3	42.3
Term Not Specified	0	0	0	0.0	0.0	0.0
Total Borrowings (a)	15,925	15,081	15,007	100.0	100.0	100.0
In foreign currency	11,110	9,620	9,554	69.8	63.8	63.7
In Australian currency	4,815	5,460	5,452	30.2	36.2	36.3

Note: (a) For a small number of respondents, the figures for borrowings do not include inter-company debt.

Distribution of Assets by Activity

Total exploration and mining sector assets fell slightly year-on-year, while total smelting and refining assets increased strongly.

Reflecting the level of industry consolidation through acquisitions and particular expansion projects, the smelting and refining sector's share of total assets increased.

At the end of 2000/01, assets employed in the minerals industry totalled \$61,815 million, an increase of 8 per cent on the previous year. The total value of fixed and deferred assets was \$39,113 million, an increase of 2 per cent. The value of other assets rose by 20 per cent.

Total assets employed in the exploration and mining sector of the industry fell by 4 per cent. There was a 9 per cent decrease in the value of fixed and deferred assets and a 7 per cent rise in other assets.

In the smelting and refining sector, total assets employed rose by 33 per cent, with an increase of 25 per cent in the value of fixed and deferred assets and a 48 per cent rise in other assets.

The increase in the value of fixed and deferred assets is in part a result of acquisitions within the industry, which have resulted in a revised, and often higher, 'fair value' for a number of industry fixed and deferred assets.

The share of exploration and mining assets in total assets employed fell to 61 per cent in 2000/01, from 69 per cent in 1999/2000 and 67 per cent in 1998/99. This ratio had been stable at 75 : 25 in recent years.

The rise in share of smelting and refining assets reflects industry consolidation through acquisitions during the year. Taking a longer-term perspective, the change in this ratio in recent years also illustrates how the industry has responded to the improved environment for downstream value adding activity brought about by economic, especially microeconomic, reform.

	June 2001 \$ million	June 2000 \$ million	June 1999 \$ million
Exploration and Mining			
Fixed and deferred assets	23,991	26,413	27,333
Other ^(a)	13,925	12,971	10,745
Total	37,916	39,384	38,078
Smelting and Refining			
Fixed and deferred assets	15,122	12,089	13,456
Other ^(a)	8,777	5,937	5,290
Total	23,899	18,026	18,746
Total Assets			
Fixed and deferred assets	39,113	38,502	40,788
Other ^(a)	22,702	18,908	16,035
Total	61,815	57,410	56,823

Note: (a) 'Other' assets include inventories, receivables, future income tax benefit assets, inter-company balances and assets held for resale.

Government and Taxation

Total taxes paid by minerals companies rose by 38 per cent. Much of the rise is in income tax expense, which is up 77 per cent – due to improved profitability.

If the Government wishes to continue to adopt and implement a more certain, equitable and durable taxation system to deliver lasting benefits for all Australians, it is vital that genuine and on-going consultation with industry is maintained. This includes the GST, where the Council urges the Government to continue to work constructively in seeking pragmatic solutions to everyday commercial issues in a manner that is consistent with the law.

The total amount of direct and indirect tax liabilities incurred by respondents in 2000/01 was \$3,243 million, 38 per cent higher than in the previous year. In 2000/01, total tax paid by companies represented 45 per cent of net profit before all taxes, compared with 68 and 66 per cent in 1999/2000 and 1998/99 respectively.

Income tax expense rose by 77 per cent, mainly as a result of the improvement in industry profitability.

In 2000/01, income tax accounted for 30 per cent of pre-income tax net profit, down from 45 per cent in the previous year. In any given year this figure may differ from the company tax rate due to differences in the definition between accounting profit and taxable income.

Royalty payments to government in 2000/01 were \$1,097 million, 16 per cent higher than in the previous year. In addition, proposals in the 2001/02 Queensland State Budget to 'refine' royalty arrangements facing the Queensland coal industry – which may widen the coal royalty revenue base on which the flat rate of 7 per cent is calculated – may result in royalty payments increasing further in coming years. Government port and rail charges fell 14 per cent to \$1,059 million.

The total of indirect taxes paid by the industry rose by 1 per cent in 2000/01 to \$460 million. This increase was due to a sharp rise in fuel excise payments and other taxes, which were up 56 per cent. The other components of total indirect taxes all recorded falls.

In 2000/01, income tax accounted for 52 per cent of total taxes paid by companies, resource based taxes accounted for 34 per cent and indirect taxes accounted for 14 per cent.

In relation to business taxation reform, the Council has long supported simplification of Australia's business income tax system to make it more equitable, efficient and transparent. As part of this, the Council has long argued that it is the combination of all business tax rates and measures, and not just the corporate rate (or any other single tax measure), that is important in assessing project viability. In this context, the Council welcomes the pragmatic approach the Government has taken in many aspects of its on-going response to the Review of Business Taxation.

A number of minerals companies continue to be concerned about the loss of so-called 'accelerated' depreciation arrangements. The Ralph Review, in its final report, recommended their removal in favour of a lower company tax rate. However, it acknowledged this was "not an easy judgement to make" and one that would favour labour intensive over capital intensive industry.

It would be counter productive if funding of the lower tax rate through removal of accelerated write-off for major project investment meant a dramatic extension of effective lives of assets for tax purposes. Australia is virtually alone in having an effective lives regime.

Following the 8 June 2001 decision of the Council of Australian Governments to conduct a national energy policy review, the ATO has advised it will defer a determination on 50 year effective lives for long-lived gas infrastructure.

It would not be in the national interest if special consideration were given to any one sector in the absence of a consistent public policy position on all long-lived assets.

The Council has long advocated a cap (say of 20 years) on the effective lives of long-lived assets for depreciation purposes. This would provide a consistent policy approach.

On 1 July 2001, the new Uniform Capital Allowance regime came into effect. The substantive changes made to this legislation, secured by the Council before its final passage through the Parliament, represents a significant outcome for the broad mining sector (including oil and gas) and follow extensive consultation with the Council. In the final consultations between the time of introduction of the legislation into the House of Representatives and the movement of amendments to the Bill in both Houses of Parliament, the Council focussed on particular high level issues. It was always recognised there may be a need to amend further the legislation once industry and the ATO had had some experience in its practical operation. The Council continues to advocate that any technical amendments should be introduced expeditiously in consultation with industry along the lines adopted under the Tax Law Improvement Project. That is, they would be moved after consultation as technical amendments as part of the regular *Taxation Laws Amendment Bill* process with effect backdated to 1 July 2001.

The Government also introduced other business tax reform legislation including amendments to the Research and Development Tax Concession.

Taken together, these Acts reflect government and opposition parties' willingness to listen and consult with industry to achieve a pragmatic outcome. This approach augurs well for the future as further reforms are considered and developed. The Government is also to be commended for issuing exposure draft legislation in many areas for comment prior to introduction into Parliament.

The Government has indicated it will be releasing new exposure draft legislation on consolidations. It has also announced it will examine whether features of the current tax arrangements adversely affect the capacity of businesses to remain in Australia. This will be done in consultation with key stakeholders.

The Council welcomes this emphasis on consultation, as it will assist, in the words of Ralph Review, the adoption and implementation of "a more certain, equitable and durable taxation system to deliver lasting benefits for all Australians".

Note: The income tax figures in this table differ from income tax actually paid during the year because of differences in the timing of the recognition of income tax expense in the accounts of respondents and the actual payment of income tax to the Government. Actual tax payments made in 2000/01 are also partly reflected in profits of the 1999/2000 financial year.

	2000/01	1999/2000	1998/99	2000/01	1999/2000	1998/99
	\$ million			per cent of total company taxes		
Taxes Levied On Companies						
Mineral Royalties, Licence Fees, etc	1,097	949	978	33.8	40.3	47.5
Income Tax Expense	1,685	954	569	52.0	40.5	27.6
Total Direct Taxes	2,783	1,903	1,547	85.8	80.8	75.1
Land Taxes and Rates	51	56	49	1.6	2.4	2.4
Payroll Tax	174	199	239	5.4	8.4	11.6
Fringe Benefits Tax	67	89	105	2.1	3.8	5.1
Fuel Excise & Other Taxes	169	108	120	5.2	4.6	5.8
Total Indirect Taxes	460	454	513	14.2	19.2	24.9
Total Tax Expense by Companies	3,243	2,356	2,060	100.0	100.0	100.0
Taxes Levied On Others						
Income Tax Paid by Employees	864	1,163	1,324			
Withholding Tax Paid by Lenders and Shareholders	14	5	2			
Total Taxes	4,120	3,524	3,386			
Government Rail and Port Charges	1,059	1,225	1,381			
Total Government Revenue	5,179	4,749	4,767			

Rehabilitation Expenditure

As at November 2001, 43 companies were signatories to the 2000 Australian Minerals Industry Code for Environmental Management, applying the Code at numerous sites, both domestically and overseas.

The annual expense for rehabilitation in 2000/01 was \$185 million.

The figures presented in this survey cover only part of the industry's total environmental expenditure.

In 2000/01, the industry provided \$185 million for expenditure on rehabilitation. The accumulated balance of the provision for rehabilitation expenditure rose to \$1,619 million at the end of 2000/01. The strong rise in the balance over the past few years is consistent with an increased focus on environmental rehabilitation by the minerals industry. The balance is provided for the purpose of rehabilitation and can be expected to be drawn down in future years.

Expenditure on rehabilitation is projected to decrease next year. This reflects, to some extent, the increasingly targeted, cost effective and efficient rehabilitation methods developed by respondents, as well as the 'maturing' of some provisions to reflect the full anticipated future costs of rehabilitation.

It should also be noted that the figures presented in this survey cover only part of the industry's total environmental expenditure (see note at the end of this section).

The environmental performance of the Australian minerals industry is central to its continued viability. The importance of high standards of environmental management and performance to the future of the industry is demonstrated through the *Australian Minerals Industry Code for Environmental Management* (the Code), which provides a framework for continual improvement in environmental management and communication and which encourages companies to exceed the requirements prescribed by regulation.

The Code is designed to drive the industry's continual improvement of environmental performance in each phase of mineral development, from initial exploration to closure and final rehabilitation, and to communicate that performance to the industry's stakeholders and the community.

By signing onto the Code, signatories commit to excellence in environmental management through seven principles:

- Accepting environmental responsibility for all actions.
- Strengthening relationships with the community.
- Integrating environmental management into the way we work.
- Minimising the environmental impacts of activities.
- Encouraging responsible production and use of products.
- Continually improving environmental performance.
- Communicating environmental performance.

Commitment to the Code also brings with it a number of obligations. In summary, these are:

- Application of the Code wherever the company operates.
- Production of an annual public environmental report within two years of registration.
- Completion of an annual Code Implementation Survey to assess progress against implementation of Code principles.
- Verification of each signatory's survey results, by an accredited auditor, at least once every three years.

The Code also requires a signatory's employees and site contractors to comply with company practices and procedures, at sites both domestically and overseas.

Forty-three companies have now become signatories to the *2000 Australian Minerals Industry Code for Environmental Management*, representing well over 85 per cent of production in the Australian minerals industry. Further details of the Code, including a list of signatory companies, can be found at the Code's website at www.minerals.org.au/pages/page6_106.asp.

Under the Code, signatory companies are required to produce an annual public environmental report. At least 45 company environmental reports have been released since the Code was initiated in 1996. These figures will continue to rise, as more companies become signatories to the Code. Signatories are also increasingly reporting on their social and economic impacts in a move towards full sustainability reporting.

The Australian Minerals Industry External Environmental Advisory Group (EEAG) has been established as a forum through which the industry can seek independent advice on how its environmental performance is perceived and potentially could be improved. Professor Michael Archer, Director of the Australian Museum, Chairs the EEAG. He is joined by Ms Tricia Caswell (Centre for Global Sustainability, RMIT University), Mr Mick Dodson (Australian Institute of Aboriginal and Torres Strait Islander Studies), Ms Ros Kelly (Environmental Resources Management Australia), Dr Fiona Solomon (CSIRO Minerals), Ms Anthea Tinney (Deputy Secretary, Environment Australia) and Mr Michael Rae (World Wide Fund for Nature). EEAG have been tasked to look specifically at governance issues associated with the Code as well as other key environmental issues in the Australian minerals industry.

During 2001, the Council has been heavily involved in the Global Mining Initiative (GMI), a program driven by a group of dedicated mining company CEOs from across the world, including a number of Australian participants. This leadership initiative aims to ensure that an industry which is essential to the well being of a changing world is responsive to global needs and challenges (further details on the GMI can be found at the Initiative's website at www.globalmining.com). The GMI will include a number of activities leading up to a global conference on mining and sustainable development, *Resourcing the Future*, to be held in Toronto, Canada from 12-15 May 2002 (see the Conference's website at www.gmiconference.com for further details). This conference will be a significant contribution to the events that will mark the tenth anniversary of the Rio Earth Summit, including the World Summit on Sustainable Development to be held in Johannesburg, South Africa from 2-11 September 2002 (see the Summit's website at www.johannesburgsummit.org for further details). The objective is to reach a clearer definition and understanding of the positive part the mining and minerals industry can play in making the transition to sustainable patterns of economic development.

The Australian minerals industry undertakes considerable research and training in areas related specifically to improving environmental performance. Research and training is undertaken directly by companies and through sponsorship and support of research and training institutions such as the Australian Centre for Mining Environmental Research, the Australian Mineral Foundation, the Australian Minerals and Energy and Environment Foundation, and the Australian Minerals Industry Research Association.

Note: The figures presented in this survey cover only part of the industry's total environmental expenditure. In addition to minesite rehabilitation, substantial environmental expenditures are incurred in research, pollution monitoring and control, clean up and in capital expenditures designed to minimise the environmental impact of mining and minerals processing plant and equipment. In providing figures, respondents may also distinguish between the amount spent and the amount charged to the statement of financial performance.

Rehabilitation Expenditure	2001/02 Forecast \$ million	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million
Annual Provision ^(a)	156	185	242	275
Accumulated Balance of Provision ^(b)		1,619	1,396	1,208

Notes: (a) Annual provision for rehabilitation represents the amount charged to the statement of financial performance during the period, which increases the total rehabilitation provision. Actual payments made will be made directly from the total rehabilitation provision, and will not necessarily equal the amount charged to the statement of financial performance.
(b) The change in the mix of respondents means the accumulated balance of provision figure at the beginning of 2000/01 differs from the 1999/2000 end of year figure.

Native Title and Aboriginal Development Expenditure

In 2000/01, the industry spent \$57.0 million on Native Title and Aboriginal development expenditure.

It is anticipated that total expenditure will increase in coming years.

Native title expenditure excludes any costs arising from the significant delays that have been experienced by the minerals industry in gaining access to land for exploration.

The minerals industry in Australia is concerned with the increasing level of expenditure resulting from legislative and common law developments arising from native title and related indigenous issues.

This year's survey once again collected information on minerals industry expenditure on native title and related indigenous issues. Respondents supplied information (where available) on internal expenditure relating to land access and Aboriginal development and external expenditure relating to the same categories.

Internal expenditure on land access relates to the statutory requirements of the *Native Title Act 1993*. In particular, the requirements and procedures arising from its 'future act provisions' and the need for mineral companies to be respondents to claims for native title on land where they have interests in mineral exploration and development. For 2000/01, internal expenditure for respondents to the survey was \$32.5 million. This is an evolving part of the survey, and the improved response rate to this survey question in 2001 compared to both 1999 and 2000 means the results in the three years are not directly comparable.

External expenditure on land access and Aboriginal development for 2000/01 was \$24.5 million. Again, this is an evolving part of the survey, and the same caveat noted above applies. This expenditure relates to payments made to indigenous people and third parties acting for indigenous interests. The level of expenditure is concerned with the external costs of complying with procedures arising from the 'future act provisions' of the *Native Title Act 1993* and reflects expenditure rising from native title agreements with native titleholders on land access.

It is anticipated that the total expenditure estimate, of \$57.0 million in 2000/01, will increase as the current backlog of mineral tenement applications is processed and agreements and determinations result in compensation payments.

Native title expenditure in 2000/01 excludes any costs arising from the significant delays that have been experienced by the minerals industry in gaining access to land for exploration. These delays are not recorded as native title expenditure, but have resulted in a switching of exploration investment from off-lease exploration in Australia to either on-lease exploration or overseas exploration.

Native Title and Aboriginal Development Expenditure	2000/01 \$ million	1999/2000 \$ million
Internal		
Expenditure relating to land access ^(a)	14.4	6.0
Expenditure relating to Aboriginal Development ^(b)	18.1	6.5
Total internal expenditure	32.5	12.5
External		
Expenditure relating to land access ^(a)	14.4	25.1
Expenditure relating to Aboriginal Development ^(b)	10.1	10.4
Total external expenditure	24.5	35.5
Total Native Title and Aboriginal Development Expenditure	57.0	48.0

Note: (a) Land access expenditure includes items such as compliance with the *Native Title Act 1993* and indigenous heritage legislation, legal, representational, negotiation and anthropological studies and compensation (cash or in kind) paid to Aborigines.

(b) Aboriginal development expenditure includes items such as special education, training, employment, small business, community development programmes for Aborigines and Aboriginal communities.

Employment and Labour Costs

A slight decrease in direct employment.

Around 24 per cent (or nearly 1 in 4) of full-time equivalent positions in the industry are contracted out.

Labour costs per employee fall.

The number of people directly employed in respondent companies fell by 2 per cent in 2000/01, following an 8 per cent fall in the previous year. This fall is due to the on-going effects of company restructures, productivity improvements and industry consolidation.

A further trend is a move towards 'shared service facilities', whereby a number of company functions (such as accounting, taxation services and human resources) are performed in a centralised business unit. Generally, these shared service facilities provide a range of services to the minerals business units of a respondent, but are not categorised as minerals industry employees (as they may have been in the past, when such services were performed 'in house').

The industry trend since 1989/90 has been towards lower direct employment. The effect of increased activity and new production on employment levels has been more than offset by a continuing trend towards increased use of contractors and improved labour productivity through changes in work practices, training and improved technology.

Notwithstanding this trend, employment in mining operations was relatively stable during the year (recording a rise of around 30 persons). Following a 6 per cent reduction in employment in smelting and refining in 1999/2000, employment in smelting and refining fell by a further 3 per cent (or around 400 persons) in 2000/01. Most of the fall in employment was in the exploration sector, where employment fell by 35 per cent.

In conjunction with the fall in direct employment, total labour costs fell. Gross wages and salaries per employee fell by 1 per cent during 2000/01. Redundancy payments associated with industry restructuring continue to contribute to the level of wages and salaries paid in the industry, although they were not as significant as in recent years. In 2000/01, gross wages and salaries accounted for 85 per cent of total labour costs while non-wage costs accounted for 15 per cent.

Important non-wage costs include fringe benefits tax (FBT) and payroll tax. In 2000/01, FBT payments per employee were \$1,293, 21 per cent lower than in the previous year. Payroll tax per employee was \$3,379, 8 per cent lower than in the previous year. In the minerals industry, payroll tax can potentially constitute a significant tax on employment and as such can discourage employment growth.

Contracted employees

Over the past few years, there has been a strong trend towards contracting rather than direct employment of labour.

In 2000/01, there were 16,069 full-time equivalent contractors engaged by respondents. This represents a decrease of 9 per cent on the 17,633 full-time equivalent contractors engaged by respondents in 1999/2000. The decrease was largely in other (non-mining) contractors, and reflects the end of a number of construction projects in the industry that involved contractor employment. These data do not include part-time contractors (undertaking short-term maintenance work or drilling operations, for example).

Thus, approximately 24 per cent of full-time employment provided by respondents in 2000/01 was contracted-out. This compares with 25 per cent in 1999/2000 and 22 per cent in 1998/99.

Taking contractors into account, total employment by respondents to the survey fell by 4 per cent, from 69,686 to 67,013.

Note: The figures for wages and salaries include production bonuses, overtime, penalty rates, long-service leave, sick pay and leave loading. People employed by contractors are not included in the table. The employment numbers presented in the table relate to end of period employment. Labour costs per employee are calculated on average employment for the year rather than end of year employment. A number of estimates are made to provide separate exploration and mining figures, which are only meant to be indicative.

	2000/01 number	1999/2000 number	1998/99 number	2000/01 percentage change
Direct Employment				
Exploration	1,447	2,214	2,380	-34.6
Mining	35,362	35,336	38,603	0.1
Exploration and Mining	36,809	37,550	40,983	-2.0
Smelting and Refining	14,135	14,503	15,476	-2.5
Total Direct Employment	50,944	52,053	56,459	-2.1

	2000/01 number	1999/2000 number	1998/99 number	2000/01 percentage change
Contractor Personnel Considered a Substitute for Full-Time Employees				
Contract Mining	11,595	11,894	11,252	-2.5
Other Contracting	4,474	5,739	5,304	-22.0
Total Contract Employment	16,069	17,633	16,556	-8.9

	2000/01 \$ million	1999/2000 \$ million	1998/99 \$ million	2000/01 per cent of total
Aggregate Labour Costs				
Gross Wages and Salaries	3,388	3,606	4,218	84.8
Payroll Tax	174	199	239	4.4
Workers' Compensation	92	77	90	2.3
Fringe Benefits Tax	67	89	105	1.7
Superannuation, training and other	274	319	313	6.9
Total Labour Costs	3,994	4,290	4,965	100.0
Recipients of Labour Costs:				
Employees Net Wages and Benefits	2,798	2,762	3,207	
Government Tax Revenue	1,196	1,529	1,758	

	2000/01 dollars	1999/2000 dollars	1998/99 dollars	2000/01 percentage change
Labour Costs per Employee^(a)				
Gross Wages and Salaries	65,792	66,457	71,417	-1.0
Other Benefits	4,501	5,880	5,306	-23.5
Payroll Tax	3,379	3,665	4,040	-7.8
Fringe Benefits Tax	1,293	1,646	1,778	-21.4
Total Expenditure per Employee	74,965	77,648	82,541	-3.5
Note: (a) Based on average employment during the year and other than workers' compensation.				

Overseas Exploration Expenditure

Overseas exploration expenditure accounted for 26 per cent of total exploration expenditure by all respondents.

The share of gold in total overseas exploration expenditure fell slightly, from 42 per cent in 1999/2000 to 41 per cent in 2000/01.

South America, North America and Africa were the principal regions for overseas exploration, with the share of expenditure directed towards Asia falling slightly.

The survey collects information on exploration expenditure in Australia and overseas. The latter information is sought by commodity and by overseas region. To enable a comparison and to establish trends over a longer period of time, those respondents that have provided overseas exploration expenditure figures over the past decade are separately reported as a 'constant group' below.

The table below detailing average annual growth rates for a 'constant group' of respondents to the Council's annual survey over a ten year period shows growth in overseas exploration expenditure by larger minerals companies was significantly higher than the growth in Australian exploration expenditure (which in fact fell slightly over the period in question).

Analysis of all respondents

In 2000/01 respondents spent \$702 million on exploration, 16 per cent lower than the \$832 million spent in 1999/2000. Respondents spent \$181 million on overseas exploration activities, or 26 per cent of total exploration expenditure, and \$521 million in Australia, or 74 per cent of total exploration expenditure. Official data from the ABS, which has a wider coverage of the industry than this survey, show that Australian minerals industry exploration expenditure fell by 7 per cent between 1999/2000 and 2000/01.

There has been a worldwide decline in exploration expenditure. Despite this, in 2000/01, Australia in fact improved the share of worldwide exploration expenditure spent here.

The share of gold in total overseas exploration expenditure fell slightly, from 42 per cent in 1999/2000 to 41 per cent in 2000/01. The decline in gold prices has contributed to the fall in expenditure on gold exploration and a shift towards base metals exploration in recent years (the share of exploration expenditure directed towards gold was 53 per cent in 1997/98). Base metals exploration rose from 33 per cent to 36 per cent.

The major areas for overseas exploration in 2000/01 were:

- South America, 38.4 per cent (up from 27.2 per cent in 1999/2000).
- North America, 24.2 per cent (up from 16.7 per cent in 1999/2000).
- Africa, 17.3 per cent (down from 21.2 per cent in 1999/2000).
- Asia, 13.2 per cent (down slightly from 13.8 per cent, but well down on the levels of recent years).

Overseas Mineral Exploration expenditure – all respondents

By Commodity	2000/01 \$ million	1999/2000 \$ million
Gold and platinum	77.2	117.3
Base metals	61.8	82.8
Mineral sands	2.4	1.8
Diamonds	33.1	26.3
Coal	0.0	11.8
Other	6.1	10.0
Total overseas	180.7	250.0
Australia	521.5	582.2
Total	\$702.2	\$832.2
Gold (%)	40.9	42.1
Non-gold (%)	59.1	57.9
By Overseas Region	2000/01 Per cent	1999/2000 Per cent
Papua New Guinea/ Pacific	2.6	6.0
Asia	13.2	13.8
South America	38.4	27.2
North America	24.2	16.7
Eastern Europe (inc. Russian Federation)	0.2	0.8
Western Europe	0.0	1.1
Africa	17.3	21.2
Other and general	4.0	13.1

Exploration in Papua New Guinea and the Pacific more than halved, from 6.0 per cent to 2.6 per cent. Exploration in Eastern Europe and Western Europe also fell, and accounts for less than 1 per cent of total expenditure.

Note: The Australian Bureau of Statistics (ABS) also conducts surveys of exploration expenditure by the minerals industry. Its quarterly surveys provide a wider coverage of Australian exploration expenditure than shown here.

While respondents to the Council's 2001 survey accounted for around 72 per cent of total minerals exploration expenditure in Australia in 2000/01 (as reported to ABS in *Actual and Expected Private Mineral Exploration, Australia*, Cat. No. 8412.0), they represented the bulk of the exploration spending by Australian companies overseas. The Council's survey is recognised as a more accurate time series of overseas expenditure than the ABS overseas survey, which has now ceased to be collected.

Decisions to explore in Australia or overseas are based on a comparison of a range of factors. These include prospectivity, the fiscal and regulatory regimes, sovereign risk and the cost of access to land.

There has been a reduction in off-lease exploration in Australia, with greater concentration on on-lease exploration and development. In 2000/01, 90 per cent of overseas exploration expenditure by respondents was off-lease. In Australia, the figure has been around 40 to 60 per cent in recent years.

There is a growing acknowledgment within the broader community of the need to put in place effective and efficient legislative mechanisms to deal with the interaction of the minerals industry and indigenous interests. The Council is maintaining a longer-term perspective on the issue and recognises that industry and indigenous people will need to form cooperative partnerships. All arrangements, however, need to be underpinned by effective legislation that produces workable outcomes within realistic time frames.

Constant Group Responses

Constant group respondents' exploration expenditure in Australia fell from \$344 million in 1999/2000 to \$327 million in 2000/01. Overseas exploration expenditure by the constant group fell from \$190 million to \$154 million, and now accounts for 32 per cent of constant group exploration expenditure, down from 36 per cent in 1999/2000.

When the Council established the survey of overseas exploration over ten years ago, relatively few companies (about twenty) were exploring overseas. These tended to be the larger minerals companies. Over the intervening period, more Australian based operations have embarked on overseas exploration programs.

Analysis of the broad allocation of exploration expenditure shows that the increase in overseas exploration expenditures has been particularly marked in the first half of the 1990s, with the proportion of total expenditure by the larger companies devoted to overseas exploration rising significantly. 2000/01 represents only the second fall in the proportion of overseas exploration expenditure in total exploration expenditure since 1990/91.

In 2000/01, *for the constant group*:

- Asia accounted for 12.2 per cent of overseas spending, North America 28.3 per cent and South America 42.0 per cent.
- Gold and platinum exploration accounted for 36.6 per cent of the total overseas spending by respondents. This is an increase on 1999/2000, but well below the peak 79 per cent share recorded in 1988/89. This is also below the share of gold in total group overseas exploration expenditure. The constant group spends a smaller share of overseas exploration expenditure on gold and platinum and a larger share on base metals than does the total group.

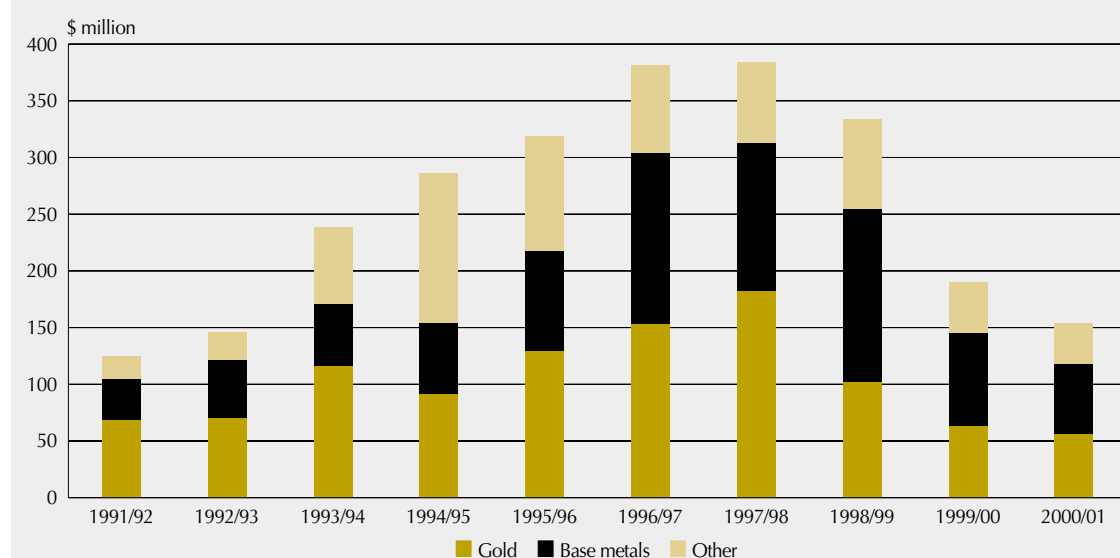
Broad Allocation of Mineral Exploration Expenditure – Constant Group

Year	2000/01	1999/2000	1998/99	1997/98	1996/97	1995/96	10 Year Average Annual Growth (%)
			\$ million				
Australia	326.8	344.4	396.7	468.4	506.2	468.7	-0.3
Overseas	154.2	190.3	333.1	384.1	381.5	319.1	2.8
Total exploration	481.0	534.7	729.8	852.5	887.7	787.8	0.6
Overseas percentage	32.1	35.6	45.6	45.1	43.0	40.5	

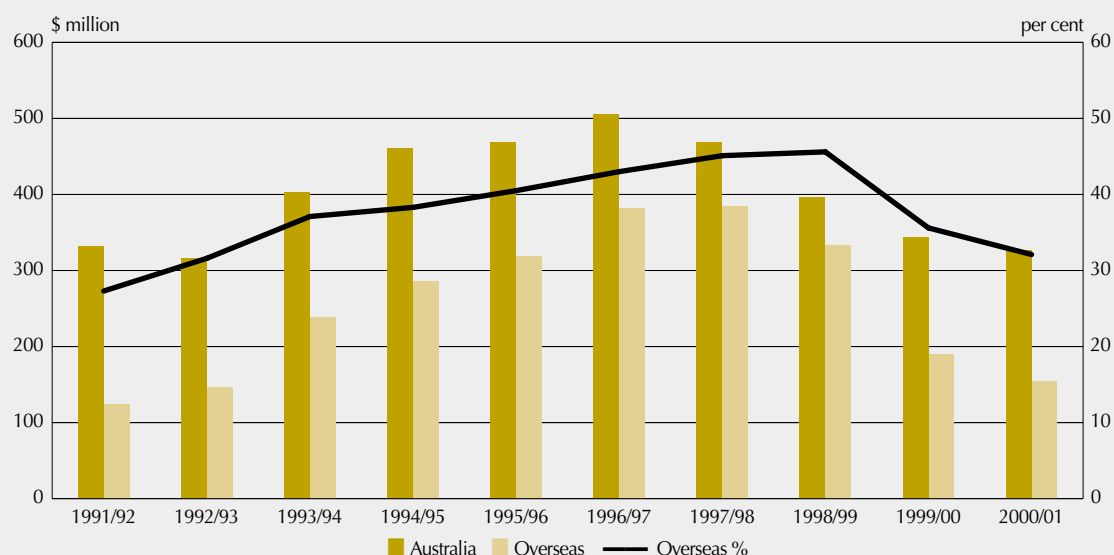
Overseas Exploration Expenditure by Commodity Sought – Constant Group

Year	2000/01	1999/2000	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94
Gold & platinum	36.6	33.1	30.6	47.3	40.0	40.5	31.8	48.7
Base metals	39.5	43.0	45.8	34.1	39.7	27.6	22.0	22.6
Mineral sands	1.6	0.4	0.0	2.7	1.0	2.0	1.6	1.7
Diamonds	21.5	13.8	10.1	6.9	5.2	15.6	27.7	15.2
Coal	0.0	5.9	0.0	1.5	3.1	1.7	2.4	1.9
Other & general	0.0	3.8	13.5	7.5	11.0	12.6	14.5	9.9
Total (\$m)	154.2	190.3	333.1	384.1	381.5	319.1	285.8	238.3

Overseas Exploration Expenditure by Major Commodity – Constant Group



Broad Allocation of Exploration Expenditure – Constant Group



Minerals Exploration Expenditure by Overseas Region – Constant Group

	2000/01	1999/ 2000	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94	1992/93
			percentage						
Papua New Guinea	0.7	0.4	0.3	0.2	2.4	3.7	2.8	4.4	11.1
Asia	12.2	13.2	28.0	15.3	21.8	23.4	21.9	18.4	16.9
Pacific	0.9	0.3	0.2	0.1	9.4	1.7	0.3	0.3	1.0
North America	28.3	19.7	27.2	35.1	21.2	29.4	33.8	33.6	25.9
South America	42.0	35.7	24.5	25.7	27.6	22.3	16.8	17.5	14.1
Eastern Europe (inc. Russian Federation)	0.3	1.0	0.6	7.2	3.7	3.6	5.0	3.4	3.5
Western Europe	0.0	1.4	0.0	2.6	0.2	2.8	1.8	2.7	4.1
Africa	13.4	15.5	11.5	9.1	6.2	7.5	15.3	13.3	11.3
Other and general	2.2	12.9	7.7	4.7	7.5	5.6	2.3	6.4	12.1
Total (\$m)	154.2	190.3	333.1	384.1	381.5	319.1	285.8	238.3	146.1

Note: Until 1993/94 the data was obtained from the exploration arms of member companies. For 1994/95 onwards, the data was obtained from company head offices as part of the Council's Minerals Industry Survey.

Outlook for 2001/02

The minerals industry is undergoing substantial restructuring in order to remain competitive in challenging market circumstances.

A number of smaller projects are expected to be commissioned in 2001/02.

Maintaining a positive investment climate remains critical to further investment in the minerals industry.

Net capital expenditure on fixed and deferred assets is forecast to increase by 29 per cent in 2001/02, following a 54 per cent decrease in 2000/01.

Fixed asset expenditure in the mining sector is expected to rise by 144 per cent while fixed asset expenditure in smelting and refining is expected to fall by 55 per cent.

Direct employment by respondents is also forecast to fall, by 6 per cent to 47,350. This fall is expected to reflect on-going industry restructuring, with a resultant increased productivity of employees. Expectations in this area have tended in previous years to be somewhat conservative (for example, a 9 per cent fall was expected this year, with the outcome a much lower 2 per cent fall).

A number of new projects were commissioned in 2000/01. New projects commissioned during the year included the expansion of the Worsley alumina refinery in Western Australia, Equigold's Mount Rawdon gold mine, located west of Bundaberg in Queensland, which was opened in February 2001 and is expected to produce 75,000 ounces of gold and 200,000 ounces of silver per year and Murray Basin Titanium's Wemen minerals sands project in Victoria.

These new projects, while well down in number on the previous two years, continue the levels of investment expenditure by the industry since 1992/93, and should underpin future expansions in industry production and export levels.

There are also a number of projects at advanced stages of development. Major projects expected to be commissioned in 2001/02 include Anglo Coal's Dawson opencut coal mine in Queensland, BHP Billiton's expansion of the Blackwater coal mine in Queensland, Powercoal's Mandalong coal mine in New South Wales, Gympie Gold's Lewis gold mine in Queensland, Peak Gold Mines' Cobar Central

gold mine in New South Wales, Lion Ore Australia's Emily Ann nickel mine in Western Australia and Alcoa's efficiency improvement program at the Pinjarra refinery in Western Australia.

The outlook for the world economy is weak, with most western economies facing the likelihood of a pronounced economic slowdown, possibly recession, in 2002. In the event of such a downturn, the outlook for the industry may be lower demand and consequently lower prices. As has been noted earlier in this report, some major respondents have announced a scaling back of production in response to the fall in commodity demand arising from unfavourable global economic conditions.

In addition, the overall investment climate in Australia compared to overseas, will remain a critical factor.

The outlook for 2001/02 for the important areas of exploration and research and development is mixed:

- Respondents forecast their exploration expenditure in Australia will rise by 10 per cent in 2001/02. While this increase is somewhat encouraging, the expected increase is from a low base and would see exploration expenditure still below the 1999/2000 level.
- The forecast level of research and development expenditure, of \$164 million, is 14 per cent lower than the 2000/01 outcome. Such forecasts tend to be conservative however. For example, the R&D outcome for 2000/01, at \$191 million, is well above that forecast in last year's survey report (that is, of \$127 million).

	2000/02 forecast \$ million	2000/01 actual \$ million	Forecast percentage Change
Net Capital Expenditure (investment) on:			
Mining Assets	3,722	1,525	144.1
Smelting and Refining Assets	937	2,079	-54.9
Total Fixed Assets	4,660	3,604	29.3
Exploration Expenditure in Australia	573	521	10.0
Research and Development	164	191	-14.1
Number of Employees	47,850	50,944	-6.1

Appendix 1: Coverage and Definitions

Survey Responses

Respondents to the survey include companies engaged only in exploration as well as companies that engage in a wider range of minerals activities.

While statistically desirable to have all respondents reporting their financial data for the same period, this was not always possible. To minimise the work of respondents, data for a financial year-end within six months before 30 June 2001 (that is, 31 December 2000) were accepted. Those whose year-end fell outside those parameters were asked to provide June fiscal year information. Some respondents, engaged principally in exploration activities, supplied data relating to financial years ending between November and January. This was accepted when it was confirmed that it was representative of data which would have applied had it been prepared for a financial year ended 30 June.

Definitions

In broad terms the 'minerals industry' has been defined as 'exploration for and extraction and primary processing of minerals in Australia'.

Adoption of this definition results in the inclusion of refining and smelting but excludes any minerals activities carried out by respondents overseas. It should also be noted that the conversion of iron ore and coal to iron and steel is not included in the survey, nor is the conversion of coal to coke.

Safety and Health Terms

The Lost Time Injury Frequency Rate (LTIFR) is defined as the number of lost time injuries per million hours worked. A Lost Time Injury (LTI) is defined as an injury that results in a minimum of one full shift's absence.

Financial Terms

Shareholders' Funds is the net total of values attributed to items of share capital, retained earnings, accumulated losses, interests of minorities in the capital and reserves of subsidiaries, reserves, goodwill or premium arising on consolidation and amounts set aside for dividends still unpaid at balance date. It also includes contributions by participants to a joint venture if the source of those funds cannot be accurately determined.

Borrowings is the amount of principal outstanding on loans, notes, debentures, mortgages, hire purchase and bank overdrafts.

Funds Employed is the sum of shareholders' funds and borrowings.

Fixed and Deferred Assets includes capitalised exploration and mine development expenditure in addition to assets such as plant, equipment, vehicles, buildings, normally classified as fixed assets.

Current/Non-Current Assets and Liabilities.

The term 'current' signifies amounts normally expected to be received or paid within the ensuing period of twelve months.

Sales. Sales revenue derived by respondents from their minerals activities located within Australia, excluding sea freight and other costs of delivery outside Australia.

Accounting policies

The adoption of different accounting policies affected the homogeneous nature of the survey data. Respondents' information has generally not been modified to achieve uniform accounting data.

The two most common methods of accounting for exploration expenditure are to write-off expenditure as incurred, or to allocate costs to areas of interest.

Rounding

The monetary amounts in this survey have generally been rounded to the nearest million dollars. Any discrepancies between totals and the sum of components are due to rounding.

Ratios

Debt to equity ratio	=	$\frac{\text{borrowings}}{\text{shareholders' funds}}$
Current ratio	=	$\frac{\text{current assets}}{\text{current liabilities}}$
Pre-interest profit on average funds employed	=	$\frac{\text{operating profit before interest and tax}}{\text{average of total funds at the beginning and the end of the period}}$
Net profit return on average assets employed	=	$\frac{\text{net profit}}{\text{average of total assets employed at beginning and end of the period}}$
Net profit return on average shareholders' funds	=	$\frac{\text{net profit}}{\text{average of shareholders' funds at the beginning and the end of the period}}$
Net profit return on total revenue	=	$\frac{\text{net profit}}{\text{total revenue}}$
Operating profit before abnormals return on average shareholders funds'	=	$\frac{\text{operating profit before abnormals}}{\text{average of shareholders' funds at the beginning and the end of the period}}$
Operating profit before interest and income tax average funds employed	=	$\frac{\text{operating profit before interest and income expense on tax expense}}{\text{average of total funds employed at the beginning and the end of the period}}$

Appendix 2: Constant Group Financial Data

The aim of the survey is to include the activities of all companies operating in Australia qualifying under the given definition of minerals. This has been possible up to a point and the coverage has consistently accounted for a large proportion of total Australian minerals production. While there is generally a similar number of respondents for each survey, the mix of respondents may change slightly from year to year.

Accordingly, the figures are not precisely comparable from one survey to the next. To facilitate more precise comparisons between years, the returns from the respondents that have participated in 1999/2000 and 2000/01 are separately reported as a constant group.

In 2000/01, the constant group consisted of companies with total asset values equal to around 96 per cent of the total group's assets.

Data on the major aggregates for the constant group in 2000/01 are compared with the data for the total group in the table below. To assess the impact of changes in the respondent group, percentage changes on the previous year are compared for the constant group and for the total group. For most items the constant group and total group figures are similar. The percentage change figures are also similar.

Selected items for comparison	Constant Group 2000/01	Total Group 2000/01	Constant Group 1999/2000	Total Group 1999/2000	Constant Group % change	Total Group % change
	\$ million	\$ million	\$ million	\$ million		
Shareholders' Funds	28,217	28,909	28,128	28,748	0.3	0.6
Total Assets	59,605	61,815	55,397	57,410	7.6	7.7
Borrowings	15,043	15,925	14,120	15,081	6.5	5.6
Net Expenditure on Mining, Smelting and Refining Fixed and Deferred Assets	3,221	3,604	4,646	4,884	-30.7	-26.2
Total Revenue	34,312	36,080	29,514	31,755	16.3	13.6
Total Expense	28,222	29,837	26,903	27,864	4.9	7.1
Labour Costs:						
Gross Wages and Salaries	3,178	3,388	3,471	3,606	-8.4	-6.0
Other Labour Costs	405	432	467	486	-13.2	-11.1
Payroll Tax	167	174	195	199	-14.5	-12.6
Interest Expense	2,516	2,613	1,609	1,644	56.4	59.0
Direct Taxes						
Income Tax	1,630	1,685	939	954	73.5	76.6
Mineral Royalties, etc	1,054	1,097	937	949	12.4	15.6
Operating Profit Before Income and Resource Based Taxes	7,144	7,340	3,019	3,024	136.56	142.7
Net Profit	3,912	4,010	1,144	1,107	241.9	257.7

Appendix 3: 10 Year Historical Summary

Items of Interest (\$m)	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/ 2000	2000/01	10 year average
Total Revenue	24,990	26,056	25,545	26,237	27,999	28,948	31,798	32,341	31,755	36,080	29,175
Total Assets at Year End	43,753	44,862	48,558	49,486	51,876	52,811	55,911	56,823	57,410	61,815	52,331
Borrowing's at Year End	11,252	11,363	10,482	8,342	8,610	8,106	12,056	15,006	15,081	15,925	11,622
Net Capital Expenditure on Mining, Smelting and Refining Assets	3,574	2,745	4,039	4,463	4,994	6,694	8,367	6,716	4,885	3,604	5,008
Interest Expense	940	917	811	859	921	1,054	1,528	1,249	1,644	2,464	1,239
Total Labour Costs	4,493	4,423	4,485	4,656	4,743	5,025	5,017	4,965	4,290	3,994	4,609
Profit before income, resource and indirect taxes	4,415	4,601	4,630	3,546	5,136	2,636	2,345	3,117	3,478	7,253	4,116
Direct Taxes	2,152	1,823	1,546	1,574	1,898	1,200	1,258	1,547	1,903	2,783	1,769
Resource Based Taxes	699	678	635	632	649	652	906	978	949	1,097	788
Indirect Taxes	474	467	490	499	542	583	520	513	454	460	500
Net Profit before Abnormal Gain (Loss)	2,164	2,338	2,377	2,372	2,828	2,018	1,868	3,097	2,937	4,558	2,656
Abnormal Gain (Loss)	(375)	(27)	205	(891)	(114)	(1,137)	(1,301)	(2,040)	(1,816)	(548)	(804)
Net Profit	1,789	2,311	2,582	1,481	2,714	881	567	1,057	1,121	4,010	1,851
Total Employment	77,038	72,139	70,243	72,085	71,901	70,489	61,675	56,459	52,053	50,944	65,503
Labour Costs per Employee	57,092	59,298	63,004	63,853	64,303	69,091	74,044	82,541	77,648	74,965	68,584
Rehabilitation Annual Expense	118	125	158	183	195	179	245	275	242	185	191
Rehabilitation Accumulated Balance of Provision	333	379	439	660	782	929	975	1,208	1,396	1,619	872
Overseas Exploration (constant group)	124.3	146.1	238.3	285.8	319.1	381.5	384.1	333.1	190.3	154.2	256
Australian Exploration (constant group)	331.8	316	403.4	460.8	468.7	506.2	468.5	396.7	344.4	326.8	402
Overseas Exploration (all respondents)	n/a	n/a	n/a	319.2	352.9	415.3	450.2	417.9	250.0	180.7	n/a
Australian Exploration (all respondents)	n/a	n/a	n/a	603.8	641.9	718.5	699.2	682.1	582.2	521.5	n/a
Net Profit Return on Average Assets Employed (%)	4.2	5.2	5.5	3.0	5.4	1.7	1.0	1.9	2.0	6.7	3.7
Net Profit Return on Average Shareholders' Funds (%)	8.1	10.2	10.3	5.3	9.2	2.9	1.8	3.7	4.0	13.9	6.9
Gross Debt to Equity Ratio	0.51	0.49	0.37	0.29	0.29	0.26	0.41	0.54	0.52	0.55	0.42

